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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 5233

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES, FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1987, AND FOR OTHER PURPOSES

PART 1—(Pages 1-270)

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

TUESDAY, FEBRUARY 25, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Andrews, Specter, Proxmire, Byrd, and Chiles.

DEPARTMENT OF LABOR

SECRETARY OF LABOR

STATEMENT OF HON. WILLIAM E. BROCK, SECRETARY

ACCOMPANIED BY THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

OPENING REMARKS OF SENATOR WEICKER

Senator WEICKER. The subcommittee will come to order.

Today begins the first of 25 hearings that the Labor, Health and Human Services, Education, and Related Agencies Subcommittee will hold on fiscal year 1987 appropriations requests.

It should come as no surprise to anyone that I oppose the administration's proposals to cut funding for programs that are not only essential to the health and welfare of the American people, but in fact can save the Federal Government and the American taxpayers billions of dollars in years to come.

Throughout the next few months, we will examine the administration's budget request, and compare this request with the fundamental human needs of the American people.

I think that it is important to establish at the outset, regardless of what the perception is in people's minds, there are no mandated cuts whatsoever when it relates to the fiscal year 1987 budget.

We are not dealing with fiscal year 1986. We are not dealing with Gramm-Rudman 4.2 or 4.3 percent cuts. We are dealing now with the

budget which has a target at the end, but which the Congress and the administration can shape to their wants, or to their dislikes.

The first thing that I just want to eliminate from everybody's mind is that, for some reason or other, any presentations made before the committee are so presented as to include a mandatory cut. There is nothing mandatory that has to be presented to the committee at this time.

I might add, you will see the great contrast, for example, in the presentation of the Labor Department budget as compared to the Education Department budget. In the Labor Department budget, some of the mandated cuts in the fiscal year 1986 budget are restored, whereas the Education Department budget just assumes that everything was cut in fiscal year 1986 remains cut for fiscal year 1987. It is not what the law says in any manner, shape, or form. Rather, we are to make our decisions here on the basis of priority and the worth of the various programs, as we have always done.

First, one slight matter of administration. Our very dear friend Tom van der Voort is back. Tom really went through a very tough time in terms of being run over by an automobile. He is recovering nicely. I mean it when I say, thank God, he is here for these deliberations because he has added as much as any member of my own staff. In fact, my staff doesn't break down into Republicans and Democrats. It is an extraordinary staff as far as people are concerned on all sides. It is just great to see him back on his feet and back here.

Second, making his first appearance before the committee is Secretary Brock. I want to publicly express, No. 1, my delight that he is the Secretary of Labor. If you will pardon me one partisan moment as a Republican, I am extremely proud of Bill Brock's whole career, through the Senate, through the chairmanship, and being Secretary. I think that it is a wonderful thing for all of us. Obviously, in a partisan sense, I am especially pleased.

I don't know what he is about to say, and I might take all of this back when he is through, but I doubt that. It is very fine to have you here, Mr. Secretary.

Are there any other statements from my good friend, Senator Proxmire, who I know will be with me throughout the course of these hearings.

OPENING REMARKS OF OTHER SENATORS

Senator PROXMIRE. I would just like to say, Mr. Chairman, that I join you in being delighted that Tom van der Voort is back. He is a power and strength of the minority, but also to the committee as a whole. He has served in the Senate for many, many years.

I want to also welcome the Secretary of Labor. He and I served together on the Banking Committee for many years, and he was an excellent member at all times, and he made great suggestions. I wish he were still on the committee, but he has to stay where he is, I suppose, as Secretary of Labor. I am sure, from everything I know, he is doing a fine job under very difficult circumstances.

Senator WEICKER. Thank you.

Senator Andrews.

Senator ANDREWS. I want to join in what my colleagues have said, Bill. I think the President made a fantastic choice when he picked you as Trade Representative. I think he made another fantastic choice when he picked you as Labor Secretary. I want to express the support of those of us on the committee for what you are doing.

Sometimes we may be at odds, but never with your courage, your character, your diligence, and your ability. I also want to express my sympathy for you, and what you and your family have gone through in the last 2 months. We feel for you, and we are glad to have you here.

Senator WEICKER. I just hope that all the things we have said about you aren't going to resound on you when you get back down to the White House, they are going to say, "What the hell is wrong with Brock? Everybody goes up to Weicker's committee and comes back in shreds, and you come back down with a laurel wreath on your head."

Senator ANDREWS. Remember, I kept your honor intact. I said, we may have differences down the road, but never with Bill, the individual.

Senator WEICKER. Mr. Secretary, it is great to have you here. You are the opening witness. Please proceed in any way that you care.

GENERAL STATEMENT BY SECRETARY BROCK

Secretary BROCK. First, thanks. I don't know where you were in 1976 when I needed you.

It is nice to be back. The last time I saw you, Mr. Chairman, I was in here supporting about a $10 million budget at USTR, there is a slight magnitude of difference here. But it is not really that different in terms of principle. Maybe the best way to commence the conversation would be to try to go through a bit of the logic we used in trying to shape these priorities.

First, you are absolutely right, there is nothing mandatory at all about 1987, except that we meet the collective responsibility of the country.

When we went through this budget process, actually beginning last July, I don't think that there was any illusion about the constraints we were going to be operating under. It is there. It is the real world we live in, and there is not much that any of us can do to change it for the moment, and probably not for the next several years.

We tried to take a look at how we, at the Department, could manage the programs that we have more effectively, and get as much bang for the buck as we can.

What we do really effects human beings directly, and it is terribly important to them that we are successful, and that we manage to leverage whatever resources we have to maximize their yield.

If you are going to take a look at the context of the discussion, I think the one fear that I want to state at the outset is that we might not agree on a budget, and I think that is the ultimate tragic possibility, and we just can't let that happen.

Let me begin by saying that you and we have to work this thing out. We don't have the luxury of not agreeing, we have to find a way to do it. In that sense, while I am bringing you the best judgment that we have been able to apply in the 9 months that I have been in the Department, I welcome your thoughts, your suggestions, your comments, your criticisms. Any alternatives that you would like to pose to us, we would be happy to discuss those with you, and see if we can do better.

As I said, the thing that I cannot live with is the possibility that we end up with no budget at all because of the triggering of Gramm-Rudman-Hollings. The devastation that would come from such an action is just beyond contemplation, and we just can't let that happen.

What we are here to do is to say, we have tried our best to bring you numbers for 1986 and 1987 that, within the frame work of this discussion, make as much sense as they can.

BUDGET PRIORITIES

Let me mention a couple of the specific highlights that I would like to note. We have asked for new funding in a few, very limited areas. They are $20 million for the Job Training Partnership Act pilots and demonstrations, $10 million for research and evaluation, and an additional $10 million for research and demonstration in unemployment insurance.

The reason for that is fairly straightforward and obvious. We just don't have the kind of money that any of us think could be spent on these services. Given that fact, it troubled me a lot, when I first came into the Department, to see that the Department, OMB, and the Congress over the last 3 years have just about eliminated the R&D accounts. I honestly don't think that is wise.

What we are asking for is some restoration, not a complete restoration, but some restoration, because if we are going to find ways of increasing our leverage by private sector, union, local government, and State government participation, we will need the small amount of funding now requested to find some new ways of doing things that we don't have at hand today.

In all honesty, while we have some good pilot and demonstration models out there, they have almost become program grants. They are not so much R&D any more as they once were. I can't be as creative as I think this Government has got to be in the next 4 or 5 years without some improvement in that account.

One other thing that I wanted to mention was the fact that we have asked for essentially level funding for the health and safety areas, OSHA and MSHA. We have added a little bit of money, frankly, for equipment in OSHA. But I am at the point where it is very difficult to say that we are doing an adequate job.

We are trying. We have good people that are very committed, but I don't know how to cut much more without diminishing our capacity to maintain safety. As a matter of fact, if you look at the safety performance in this country in the last year, it deteriorated somewhat. I don't

think that is on the back of the Federal agency, in all honesty. But it is disturbing to see the trend moving in a negative fashion, and I don't think that we can allow that to continue without trying to do something about it.

FURTHER SPECIFICS OF BUDGET REQUEST

We are going to talk very quickly about the two areas of reduction, and they are basically in Job Corps and Summer Youth. I won't elaborate, but I would like to note that the larger program, the JTPA block grant, which is available to serve people, has a very slight, nominal increase of about 2 percent.

What that says is that if you take inflation out of it, you are going to have a very slight decline, but basically we are going to serve pretty much the same number of people that we are serving now. We have tried to maintain that without impairment regardless of the fiscal constraints that we have.

We have asked for an additional $4 million for PBGC, to reduce our backlog. I think that is imperative. We have asked for just a slight further increase from you to continue the efforts to reduce the black lung backlog. It is really, I think, ethically, as well as economically, wrong for us to have the kind of backlog that we do in black lung cases. You cannot justify the fact that people wait 5 or 6 years to get a resolution of their personal circumstances, and they just don't know where they stand.

I appreciate the support that you gave us last year, and we are asking for a slight further increase this year.

We have asked for $1 million for the development of a new ERISA data base. Obviously, we hope that that will give us the capacity to do a better job of regulating in that fundamentally important area.

We have asked for $3.4 million for the Bureau of Labor Statistics to develop a longitudinal survey of business and to expand our pay survey. Again that money is important for us to maintain the quality of the BLS data which Senator Proxmire explores with great enthusiasm every month when we come up with our numbers. We have to be sure that we are accurate. We just don't have the right to play games with our numbers.

That is where we are. I have mentioned the two primary cuts made in Job Corps and in Summer Youth. The Job Corps cuts will start taking effect as soon as you allow us to do so. We have taken the reductions from Gramm-Rudman-Hollings, asked for a rescission, plus a maintenance of the cut into 1987, not out of any compelling desire to cut the Job Corps, in all honesty, but just because we didn't have any great place to go to get the reductions we had to have.

I don't think you will hear any of the people who work for me say that Job Corps doesn't do a good job. We think that it is serving a constituency that isn't being served anywhere else, and doing so in a very humane and nice way. We are just out of money, and it is that simple.

In terms of Summer Youth, we are also asking for a significant reduction, again not out of any belief that the program is flawed, but simply because, if we have to operate with constraints, we would like to focus what we have left on areas of prime need, and we are asking for authority to do that, to have an applied distribution based upon the primary urgency of the local circumstances.

I guess that is about all I have to begin the conversation, Mr. Chairman. I want to repeat what I said earlier, and that is that I am 9 months into this job, and I have a lot to learn. What we do is important. What we do affects a lot of human beings very personally, very directly. I welcome the chance to have a conversation and to draw upon your experience on how we can do better.

PREPARED STATEMENT

Senator WEICKER. Thank you very much, Mr. Secretary. Your statement will be included in the record in its entirety.

[The statement follows:]

STATEMENT OF WILLIAM E. BROCK

I am today making my first appearance before you as Secretary of Labor, to discuss resource requests for the Department's programs for Fiscal Year 1987. I will also be discussing changes to 1986 levels via sequestrations, rescissions and supplementals. I welcome this opportunity to outline for you the important aspects of our proposals for both Fiscal Years 1986 and 1987. Over the next several days, members of the management team that I have assembled at the Department will be appearing before you to discuss the details of the individual agency requests. In this session I would like to present my overall approach to this budget, and the rationale that governed decisions on the proposals that you have before you.

With regard to Fiscal Year 1986, as a result of the Balanced Budget and Emergency Deficit Control Act of 1985, the Gramm-Rudman-Hollings (GRH) Bill, we anticipate that a total of $362.6 million in spending authority will be cancelled on the effective date of the President's sequestration order, March 1, 1986.

Of this amount, $236.7 million is reduced from enacted budget authority, and $116.3 million is reduced from amounts available through trust fund transfer. The remaining $9.6 million comes from reduced spending authority in the Unemployment Trust Fund and the Special Workers Compensation accounts.

In addition to these reductions, we are proposing a budget authority rescission totalling $416 million, a downward adjustment in limitations on nonappropriated funds of $3.9 million, and a supplemental request of $74 million. Major portions of our rescission request relate to plans for streamlining and targeting two important programs aimed at serving young persons funded through the Training and Employment Services (TES) appropriation. These are the Job Corps, for which I am proposing a 1986 rescission of $196.5 million, which when coupled with the GRH reduction, will reduce resources by 35% in 1986. As you know, this program has accomplished a great deal in assisting disadvantaged youth. It is, however, a very costly program, and our proposals for it involve identifying the best centers and concentrating our resources on running an optimum program at reduced levels.

For the Summer Youth Employment Program, we are proposing a rescission of $208 million, which, in conjunction with the GRH reductions, will bring our revised program level to $428 million for 1986, which supports the calendar 1987 program. With the rescission request we are seeking appropriations language to allow us to target available resources to those most in need. We are also seeking a rescission of $9.6 million in funds related to the Concentrated Employment Program. The remaining rescission amount represents technical adjustments to bring spending authority into line with authorized levels.

I am seeking $74 million in supplemental budget authority to provide additional resources for the Dislocated Workers Assistance program authorized under Title III of JTPA. As you know, the Administration made a commitment to provide additional adjustment funding for trade impacted workers as an alternative to

continuation of the Trade Adjustment Assistance legislation. This supplemental represents that commitment. We are asking that these supplemental funds be provided under the discretionary portion of the Title III program to allow us flexibility in responding to areas with the most severe needs.

Finally, you have a supplemental request before you which in effect makes a downward adjustment in appropriati s limitations in the Employment Service portion of the UI/ES, State Operations Appropriation. When coupled with the GRH reductions in the Employment Service portion of this account, these adjustments will reduce allotments to states by about 3% below Program Year 1985 levels.

The Department's 1987 request in total funding authority through this Committee excluding proposals for later transmittal is $8.64 billion, of which $2.75 billion is derived by transfer from trust funds. Discretionary program funding requested totals $5.33 billion, including $1.02 billion in trust fund transfers.

The remaining $3.32 billion of the total request is needed to meet entitlement program requirements, including Black Lung Disability Trust Fund benefits and Federal Employee Compensation Act benefits payments.

Our 1987 request for the TES appropriation, for Job Training Partnership Act (JTPA) programs, totals $2.91 billion. Of this amount about 80 percent is for grants to states. This includes $1.82 billion for the Block Grant program. $428 million of this amount continues the Summer Youth Employment and Training Program at the streamlined level proposed for Fiscal 1986 (Summer 1987), including a request for appropriations language that would allow for improved targetting of these resources. For the Dislocated Workers program, we are requesting $100 million and are again requesting appropriations language that would allow these funds to be provided under the discretionary portion of the authorized legislation.

For the federally-administered portion of the TES appropriation, we are requesting $128.8 million for national level programs for native Americans, migrants and veterans, and $81.1 million for Pilots and Demonstrations, program support, and the national commissions authorized by the JTPA. We are seeking increases of $20 million and $10 million respectively for the Pilots and Demonstration programs and the research portions of the program support function in order to provide additional resources to test and to research alternative strategies for dealing with certain labor market problems. For the Job Corps, we are seeking $351.7 million in 1987 resources, which will continue the 22,000 slot level achieved at the end of 1986.

For the Older Americans program we are requesting $326 million to fund approximately 63,800 average enrollments, the same level as in 1985, and slightly higher than in 1986 due to the GRH reductions.

Our request of State Employment Service grants is $782.5 million, while $1.73 billion is requested to fund 43,700 staff years to operate the Unemployment Insurance program.

In the area of entitlement program, we are requesting $413 million in new funding for the Advances to the Unemployment Trust Fund and Other Funds accounts. The total requested for advances is expected to be used for the Black Lung Disability Trust Fund. The budget contains an amount related to proposals for later transmittal that would reduce the need for Advances by $221 million. This is the anticipated effect of a requested increase in the fees mine operators must pay into the Black Lung Trust Fund. In the Federal Unemployment Benefits and Allowances account, we are requesting $4 million to be utilized for payments to Redwood program beneficiaries.

In our funding requests for the salaries and expenses accounts, we have a combination of increases in key areas, and some staffing reductions, related to increased productivity, or to programmatic reductions.

An overriding principle of the worker protection and labor standards programs is that we will maintain our basic workload at or above 1985 levels. Our total request for staffing and related costs for carrying out the Department's various responsibilities in these areas is $1.27 billion. Details of these requests are found in other justification materials. I believe that this budget request is a balanced proposal that protects the interests of American workers. I would be happy to answer you questions.

Biography of William E. Brock

William E. Brock was nominated by President Ronald Reagan to be the nation's 18th Secretary of Labor on March 20, 1985. His nomination was confirmed by the Senate on April 26, 1985. He was sworn into office on April 29, 1985.

In addition to being a member of the President's Cabinet, he serves on the Economic Policy Council. The Secretary also is a member of the President's Task Force on Regulatory Relief, the President's Advisory Council on Private Sector Initiatives, and many other senior governmental councils and committees.

Brock previously served as United States Trade Representative. He was nominated to this Cabinet-level post by President Reagan on January 15, 1981, and was sworn in on January 31, 1981. his duties included serving as the President's chief trade adviser and international trade negotiator. He also chaired the Cabinet-level Trade Policy Committee.

Brock was born in Chattanooga, Tennessee, on November 23, 1930. He received a Bachelor of Science degree in 1953 from Washington and Lee University, Lexington, Virginia. After serving as an officer in the U.S. Navy, he became associated with the Brock Candy Company.

In 1962, Brock became the first Republican to be elected to Congress in more than 40 years from Tennessee's Third District.

As a congressman from 1963 to 1970, he served on the committee on Banking and Currency and became a member of the Joint Economic Committee in 1967.

After four terms in the House of Representatives, Brock was elected to the U.S. Senate in 1970. Senator Brock served on the Finance Committee, the Banking Committee and the Government Operations Committee.

In 1977, the Republican party elected Brock as its National Chairman, a position he held until being named U.S. Trade Representative.

Brock was married to the former Laura Handly (deceased). He has three sons, William, Oscar and John, and a daughter, Laura.

JOBS CORPS-SUMMER TRADEOFF

Senator WEICKER. The first question, obviously, does relate to Job Corps. I suppose that the good news is that your administration is no longer proposing to abolish the Job Corps, which we were confronted with the last time around, but rather only a 50-percent cut. The bad news is that this year's budget cuts the Summer Youth Jobs Program nearly in half.

Was this the price you had to pay to OMB in order to salvage the Job Corps?

Secretary BROCK. No; in the exercise with OMB, I simply said, let me evaluate our programs the best I can, and come with the dollar number that we think is best. We, obviously, didn't get everything that we wanted, but we didn't play off one program with another. I didn't have that kind of a conversation.

I said, if you have to have *x* dollars, then I will try to live with that, but I would like to make those decisions internally, because I think that is what the Congress expects of me.

Senator WEICKER. Is it a fair trade-off to eliminate 370,000 summer jobs for disadvantaged youth in order to save 22,000 Job Corps enrollees?

Secretary BROCK. Nothing is fair about what is going on. I don't think that you can use that word. The process isn't fair to those that are hungry for some help, and desperate, and have no alternative.

They are really serving different constituencies, though, Mr. Chairman. Summer Youth is a summer program. It is an experience program. A first time, hopefully, beginning job experience where people get a sense that they can become productive as human beings.

Job Corps serves a community of people who simply have no hope at all. They may have dropped out of school. They come from single-parent families. They have no money, no incentive, no excitement, no challenge, nothing on which to build a foundation as a human being. Job Corps serves that very disadvantaged community in a very different way.

I don't know how you tradeoff one against the other. My feeling is that when we came up with the Job Corps number, we did it in part because it was the number of the 1970's, and we said, maybe we can say that that is at least a legitimate way to look at it. From 58 to 60 centers can serve as many of these people as we financially can afford to serve.

I hope that you don't take as gospel what we say in terms of the number of slots, because we are obviously going to try to do better than that. What we did was to say, if we are going to cut this number of millions of dollars out, then that automatically and logically would say, you would reduce the slots by that much.

If we reduce the slots by that number, we haven't done our job, because I have some centers that cost $18,000 per slot, and I have others that cost $8,000 to $10,000. So, obviously, we ought to try to reduce those that are the least cost effective, and if we can do that, we will end up with more than 22,000 as the base number of people being served.

Senator WEICKER. Why are you also proposing to cut 14,000 enrollees in the job training block grant program, of which 40 percent are youth?

Secretary BROCK. That is the best we could do. That is a very small cut. I frankly think we won on that issue by maintaining effectively the same level of program.

UNEMPLOYMENT AMONG THE HANDICAPPED

Senator WEICKER. Last Friday, I chaired a hearing of the Subcommittee on the Handicapped, and I was informed that a recent Lou Harris Poll reveals that fully two-thirds—two-thirds—of all disabled Americans, between the age of 16 and 64, are not working. That is the highest figure—I might add that our disabled population is 27 million—that is the highest unemployment figure of any group, blacks, Hispanics, anyone. Sixty-six percent of the nonworking disabled Americans under 65 said that they would like to be working.

My question to you is: What is the Labor Department doing to meet the training and employment needs of the disabled Americans?

Secretary BROCK. We do have some figures, just to run through them, in the JTPA block grant, we are serving 67,500 participants, and that is 9 percent. We are serving 2,900 handicapped participants under the dislocated, or title III, program. We have eight national level programs under the pilots and demonstrations category of on-the-job and job-placement services. Those are organizations with which you are familiar, epilepsy, retarded citizens, goodwill, and so forth. About 4,000 individuals are placed by them per year at a cost of $4.1 million.

Incidentally, I think that this is simply something that we have to look at, what that figure implies, that is a cost-effective way of doing things. That is $1,000 per person; that is cheap in terms of the benefits that society gets. It looks to me like we get that money back more than comfortably.

We are trying to improve our performance with the Job Corps. We have three of our centers presently being set up to handle the severely handicapped. We have another six that are setting up to handle the less severely handicapped.

The answer to the question is: We have a long way to go.

Senator WEICKER. Let me do this. I am getting a little bit frustrated over the fact that nobody wants to look at the facts, and these are facts that I have given you here today.

Secretary BROCK. Right.

Senator WEICKER. I made a statement prior to the hearings on the handicapped, where admittedly I belabored the administration insofar as its attitude toward the handicapped, mainly through the education budget, and that is for another day.

I made the statement to my staff before the hearing that I don't want to get into a rhetorical battle between the administration and myself on the matter of the handicapped. I said, all I am going to do today is to present the facts as to the way money has been cut back from the education area over the administration's life.

Then, lo and behold, the article on this whole thing appeared in the style section that the President is having a party down here. To me, if there is any hard news, it is in the facts, in the dollars, and in the programs.

I don't expect everybody to agree with me philosophically on how I view the handicapped. Everybody is entitled to their own opinion. But what I think we can all agree on, which you alluded to in your comments a little while ago, is how cost effective these programs are, and when people go to work, they are no longer a charge in society.

I realize that the lion's share of this work is over in the Department of Education. Bill, what I would like you to do, since these are new facts that relate to you, and others, obviously—this is the first time that we have had a chance to discuss them—are these facts developed by the Harris organization—I want you to know that these facts were developed not at my request, but by the Council of the Handicapped, which is presidentially appointed. They are the ones who got the Lou Harris people involved. This poll, I think, everybody agrees, is highly accurate. The facts, regardless of what your feelings are, are really appalling.

I would hope that you would, within your Department, see if there isn't something that you can generate here, maybe some added emphasis is needed in one place, maybe a little more money here, maybe a little less somewhere else.

I would like to see a recommendation, prior to this committee shaping up the budget, as to what contribution Labor can make to this problem of two-thirds of disabled Americans being out of work. If you will do that, we will certainly cooperate at our end in trying to shape the figures.

Secretary BROCK. I would be delighted to.

Senator WEICKER. Senator Proxmire.

Senator PROXMIRE. Thank you, Mr. Chairman.

Mr. Secretary, I want to thank you and commend you for your opening statement. I thought that it was most impressive, and I deeply appreciate your emphasis on OSHA. Certainly, safety and health are a Government responsibility, and if we don't provide for an effective OSHA, it is going to be very costly economically, as well as from the standpoint of human suffering. Also, your emphasis on job training, and on black lung, was most encouraging.

LOW UNEMPLOYMENT IN MASSACHUSETTS

I am delighted that you mentioned the statistical responsibility your agency has because it is so critical, not only to the Government, but also to the private sector, and I think it makes a big difference in our operations.

A propos of that, I notice that your latest release on the employment situation, which is February 7, points out something that I think is quite remarkable. A State, not my State but Massachusetts, enjoys an unemployment rate now of 3 percent, the best of any of the big States by far, and an astonishing performance. I was so impressed by that statistic I pursued it with the Commissioner of Labor Statistics when she appeared before the Joint Economic Committee last week, and I would like to pursue it with you.

I also, incidentally, called up some of the people in the Massachusetts delegation, and I said: How did you do it? It was not partisan. It happens that out of the 11 Massachusetts Congressmen, 10 are Democrats. One is Silvio Conte, who is almost as progressive as Lowell Weicker. Congressman Conte is a person who supports these programs vigorously, as you know.

Senator WEICKER. Like Lowell Weicker, he is the only Republican elected in his State.

Senator PROXMIRE. That is right, and the two Senators are Democrats, and so forth. They worked for George McGovern in 1972. Massachusetts is a State that is not known for catering to business and yet they have this remarkable performance, better than any other State.

When I talked to some of the staff people in one of the delegation offices, they told me that it was because Massachusetts had made use, aggressively, of the Job Training Partnership Act, and also used supplementary services such as day care, child nutrition, transportation, and other programs, and those programs have made a difference up there. Massachusetts pursues them very effectively.

I wonder if there is any way, without a big expenditure of funds, to make some kind of a study to determine, in States like Massachusetts, what programs are effective in achieving this remarkable end.

People always say, well, they have high tech schools such as Harvard, MIT, and Boston University. That has some effect, but I think you would agree with me that the major effect of these grant educational institutions is not to produce hundreds of thousands of jobs. The universities help some, but I think that these other elements are very important.

I think that some kind of a study indicating the contribution of those programs toward reducing unemployment, providing jobs, would be very, very helpful.

Secretary BROCK. I would be happy to take a look at that. I don't know how good we are at that kind of analysis, but it is certainly worth the effort. I don't know what Janet's reply was, but I am sure that she would share the interest that I have. If we can get the funds, and the people that we can trust to make it, we will.

Let me suggest to you a moment of caution, though. I don't think that you can lay all of the progress of Massachusetts on progressive availability of progressive social programs. Most of the splendid recovery that they had came under a less progressive administration, and they came in the early stage of the economic recovery nationally, and Massachusetts was simply moving faster than anybody else.

They had gone through, by the way, more agony than anybody else when they lost their shoe industry, their low wage industry, and they desperately had to seek something better. What they found was that the better was in those kinds of concerns that were more creative in the use of the human talents, and it is not just high tech. High tech is not the right word.

Senator PROXMIRE. You are right. Of course you don't just reduce unemployment by being liberal. But I think what the Massachusetts experience demonstrates is the fact that you can have a consciously liberal State with people who believe in providing these services, and at the same time reduce unemployment. They have never done as well as they are doing right now.

Secretary BROCK. I want to defend a good word. There is nothing liberal about a day care center, it is commonsense.

Senator PROXMIRE. I like the word "liberal," even though I am not a liberal.

Secretary BROCK. I will let you have it, but I don't want you to take day care centers away from those of us who believe in them on the other side.

Senator PROXMIRE. It is conservative in the best sense and it is constructive in the best sense.

Secretary BROCK. Yes.

FARMWORKER SANITARY FACILITY STANDARDS

Senator PROXMIRE. Now, Mr. Secretary, on September 11 of last year, you announced that you were giving the States 18 months to issue and enforce their own farmworker sanitary facility standards before making a decision on Federal standards.

As you probably know, this disturbed some of us because this issue had been before the Department for at least 14 years. At the time you made your announcement, only 13 States had standards for toilets, clean drinking water, and washing facilities for field workers. Furthermore, those State standards were not being consistently enforced.

Can you tell us to what extent this situation has changed since your announcement?

Secretary BROCK. We not only said that we wanted them to accept the responsibility within 18 months, but we offered help in that regard. We made our staff available to provide technical assistance, or whatever else was necessary. I think that all but three States—either three or five, I am not sure, but it was one or the other—have responded, and we are working with them and, hopefully, making some progress.

I am concerned because I haven't seen any legislative action, and that is where it is going to happen. I said at the winter meeting in Bal Harbour, in response to a question down there, that I was underwhelmed—I think that is the word I used—by the response.

What I was referring to was the fact that in most legislative bodies that I am familiar with, people like to wait until the last minute, and this is an emotional issue, and if you wait until the last minute, it is not going to happen. If they wait until the spring of 1987 when they run up against that deadline, we are not going to have enough States protecting their workers.

What I want to make abundantly clear, if the States don't accept that responsibility, we will do it. I don't want to have any misunderstanding of that fact. So those in the States that are critical of the standards, if they want to do it in a way to fit their own State's needs, they have time to do it. But they have no right to complain whatsoever if they don't like what we do because we are going to do it for them, if it isn't done next year.

Senator PROXMIRE. I appreciate that. Whatever we can do to move those standards along will be appreciated. I think your statement this morning is very helpful.

Secretary BROCK. We are trying very hard.

JOB PLACEMENTS FOR BLACKS UNDER JTPA

Senator PROXMIRE. Secretary Brock, you are requesting $1.82 billion for block grants to States under JTPA. In January, the Department issued a summary of JTPA covering the period from July to September of 1985. Although the data was encouraging, it indicated that the job placement rates for blacks were significantly below placement rates for similar groups of whites.

For example, 63 percent of all white public assistance recipients who left the program between July and September of 1985 entered jobs. The rate for similarly situated blacks was only 48 percent. Even more disturbing, the placement rates for blacks receiving public assistance had fallen from 60 percent in the same quarter of 1984, a total of 12 percentage points, while the placement rates for whites fell only 5 percent.

That seems to me to be an indication that the blacks are not getting the kind of consideration they should.

Can you tell us what is causing this increasing discrepancy and what steps have been taken to deal with the problem?

Secretary BROCK. I am not sure that I am wise enough to know the answer to that, but I want to tell you what my gut tells me, and what I think I have learned in the limited time that I have been looking at it.

First, as unemployment has fallen nationally, and we are getting to the harder core groups, I think that it is going to become more difficult to improve upon the numbers. It was easier when the economy was working with the program.

We had a high rate of unemployment, and we were swinging people through that pretty fast. As you get your unemployment rates down,

you get a higher percentage of people who are particularly disadvantaged.

Let me tell you, if I can state it quietly, but strongly, how deeply I feel about the problem we have in this country. Senator, you can't give me enough money now, today, or in the foreseeable future, to clean up a mess that came to us in the beginning in our educational failure.

What training is in JTPA is a cleanup exercise. It is trying to go in after the fact, and it is remedial.

Senator PROXMIRE. Let me interrupt, Mr. Secretary, to say I agree with you. It is a very, very tough job. What I am saying is that there appears to be a failure to provide the same opportunities for blacks as for whites. My question focuses on the apparent racial difference.

Secretary BROCK. If it is within my power, that will not be the case while I am there. The black community is the most disadvantaged in this country, and we are going to try very hard to be assured that they get as much special help as we can provide.

Let me turn it around and say, one of the things that we are doing, that Mr. Semerad and his team at ETA are trying, is to crank into the Summer Program, for example, a much heavier literacy effort, and it is targeted to precisely these groups.

We have 700,000 children dropping out of school every year, and most of them are functionally illiterate. We have another 700,000 who are graduating as functional illiterates. We have 23 million people in this country that can't read a help wanted sign. There is something fundamentally wrong with us if we don't come to grips with that problem better than we have.

We have watched for 20 years reading, math, and verbal communication skills declining in this country, and nobody got tired. Now we are surprised that, doggone it, it is hard to get those people jobs, and it is hard to train them. There isn't any surprise about it. We blew it. We blew it for a long time at the community level, as parents, as citizens. It simply tells us all that we have to get off our duff and start dealing with this problem far more effectively than we are doing it now.

OFFICE OF FEDERAL CONTRACT COMPLIANCE PROGRAM

Senator PROXMIRE. Your inspector general has been highly critical of the Office of Federal Contract Compliance Programs, which is the office that enforces the Executive order prohibiting employment discrimination by Federal contractors on the basis of race, color, sex, and so forth.

A recent inspector general survey found that the office was impaired by excessive overhead, high grade levels, inefficient field structure, duplication and overlap, redundant layers of review, and inadequate staff time reporting.

The inspector general's office recommended a number of corrective actions, including a reorganization of national and regional offices to eliminate duplication. I understand that a task force was established to analyze the finding of the inspector general survey, and identify correc-

tive actions. Apparently, the work was to be completed by mid-November of 1985, which was 4 months ago.

When will final action be taken on the inspector general's recommendations?

Secretary BROCK. Final action means a completed program, and I don't know that I can give you a firm answer on that. Let me respond more simply by saying that the inspector general is basically right, and we will take corrective action in the very near future. I don't know how long it will take us to complete the process because of the laws affecting civil service, and the fact that we have to protect some very good people that we don't want to see abused in the process.

The system is a lousy system. The inspector general is abundantly correct, and so was the GAO in criticizing the Department of Labor in the report that I got when I first came into the job. What we did was to take those reports and say, OK, let's see what we can do short term to correct them, and then let's see what we can do in the long term to put a management system in that will prevent this from happening.

We put our management system in in January, and it is working. We have goals and we have time-tables to meet those goals, which I think is a necessity for good management, and we will meet them. If we don't, I will find out why, and maybe we will get somebody that can.

Senator PROXMIRE. Thank you, Mr. Secretary.

Mr. Chairman, I want to once again commend the Secretary on his responses. I am very, very encouraged. I always had a high esteem for Bill Brock, and I think I have an even higher esteem now.

I would like to ask unanimous consent to have some questions on the Job Corps answered for the record, and also I have some questions from Senator Inouye which he would like you to respond to.

Senator WEICKER. All questions of the Senators will be put in the record, as well as the responses to them from the Secretary.

Senator Andrews.

Senator ANDREWS. Thank you, Mr. Chairman.

I was intrigued with our friend, Senator Proxmire, making the comment about liberals, and the rest. I think the Secretary agrees with me that there is a great role to play for those of us who are thoughtful and practical moderates, like the chairman.

I would also like to point out, Mr. Chairman, that seated right behind the Secretary is one of our great North Dakota talents, Shirley Peterson, who not only was a key part of our State government administration, but before that she was the head of our North Dakota Education Association, which is our State branch of the National Education Association.

So I want you to know that out in North Dakota, we moderates hold forth, and are pretty active in some of these camps that are very important.

Mr. Secretary, I applaud what you are saying about day care centers. I think that we have to facilitate their continuance, obviously, and we will be working with those people in your Department who are going toward that end.

PLIGHT OF THE FARMER

I would like to explore one major area with you. Late in 1985, December to be exact, a meeting was held between representatives from the Midwest States and Senate legislative staff, the topic under discussion was: What can be undertaken at the Federal level to ease the plight of dislocated farmers? That is farmers who, due to an ailing farming economy, have gone under, either through bankruptcy or foreclosure, farm young people who, instead of being able to go into farming, don't have that opportunity.

For many of these individuals, just as it has been for their fathers, and their grandfathers, farming is the only way of life they know. For many, the thought of entering a new profession is not just alien, it is frightening as well, yet it is an alternative that has to be seriously considered if these people are going to survive and become useful and producing members of society.

The fact is, the farm economy, and its effect on farm and agra-workers is an area that has to be addressed comprehensively and I don't see that program in place yet. Some States, and I am proud to say that North Dakota is one of those States, have initiated action on their own, yet States simply don't have the finances to adequately address the problem without help from the Federal Government.

You are requesting, as I see, a $74 million supplemental for the dislocated workers assistance program under title III, and you are also requesting, Mr. Secretary, as I understand, that money will be available under the Secretary's discretionary fund.

It is my understanding that last year, rather than set aside funds for the farm States out of that discretionary fund under title III, the suggestion was made that States should apply for this money on an individual basis.

The question I have is: Will these funds be made available to farm States so that they can begin to address the problems of dislocated farmers and agra workers, and what kind of a procedure do you have set up so that this can be an orderly process, and that we can get it implemented as soon as possible?

Secretary BROCK. Let me talk to the generic question first, and then maybe Roger Semerad will want to answer the specific question.

Basically, we are asking for a supplemental this year and for discretionary authority for the simple reason that there is no way that any of us is smart enough to predict which States are going to be primarily affected by dislocating factors in the future in any given year. In some years, it will be primarily trade related, and in others, it is going to be technology related. In the case of the farmer, it is related primarily to our global economy, and the collapse of world commodity prices.

Senator ANDREWS. It is trade related because every three out of every five bushels of grain have to be sold overseas, and we are not selling there now.

Secretary BROCK. We are not selling in the sense that there was a collapse of world markets, and that simply shut off our sales program overseas. We couldn't give it away, frankly.

You are correct, and my feeling succinctly put, if I can, is, while I normally don't believe in a lot of discretion, in this case, I don't have much alternative but to ask for it, because you have a specific circumstance in the farm States, primarily in the Midwest, and the upper Midwest, more focused than it is, for instance, in the South, where that dislocation has occurred, and where we can try to be helpful.

In other years, it may be the Northeast, or it may be the South, or individual communities. I need the authority to go in where there is a priority need.

QUALIFICATION OF FARMERS FOR JTPA DISLOCATED WORKER ASSISTANCE

Senator ANDREWS. But what I am gathering from your comments, Mr. Secretary, is that you feel that the dislocated farm workers certainly qualify under the dislocated program.

Secretary BROCK. Yes; we are doing some of that now. We have gone in with a program in Iowa to see if we can learn from that.

Maybe Mr. Semerad would add to it.

Mr. SEMERAD. Senator, as the Secretary points out, we did make a step forward last year and qualified dislocated farm workers under JTPA and title III, and out of that grew a responsiveness on the part of people in about 15 or 16 primarily agricultural States that came in and did meet with us.

I was a little surprised, frankly, because I thought this was the purview—I am new on the job—of the Agriculture Department. We had the Agriculture Department in the meeting, representatives of these 15 States, plus some Senate staff members to begin a task force to address the problem that you raise in your question.

There is the combination of things that can be done through our various departmental programs, not just Labor, but other Departments, that address the human aspects of this, rather than just the tax rate, or the price of the crops, or mortgages, or that sort of thing.

There seemed to be, which I must say I was surprised to learn, a lack of conversation going on in this town before we had gone ahead and made the decision on dislocated farmworkers as eligible. We picked up from there, and are going ahead, in cooperation with the Congress and the other Departments, and that is a conversation that is expanding and going on.

Senator ANDREWS. These people are basically the most talented and industrious people in our Nation, and it is kind of a shame. The only thing they know is the farm, but given a little training, and a little encouragement, they can make an invaluable contribution in other sectors of the economy. It is a lot better than having them just out there in the rural areas, frustrated and unable to move ahead. It is better for their families. It is not a spending program, it is an investment program.

Mr. SEMERAD. I agree.

Secretary BROCK. It really is, Senator, but one of the problems that we have had in the more rural type of areas is that there are not jobs to go to. As the farm economy got into trouble, it didn't just affect those

on the farm, it affected the small businesses in the community. You know that better than I do.

Senator ANDREWS. That is a problem. Main Street is shutting down, and they are pulling out. In fact, the more the politicians talk about how terrible it is out in rural America, the more the major corporate chain stores, like J.C. Penney, Sears & Roebuck, and the rest, are now beginning to pull their stores out of the small towns of rural America, because in their board rooms they have heard all the talk about how tough it is out there. So we have a very highly complicated problem, and we have to stop it in some way.

Secretary BROCK. We really do.

Senator ANDREWS. We are working on that, too, I can assure you, Mr. Secretary. As soon as we get Dick Lyng up here and confirmed, we are going to get him off and running, so that we can keep more of those farmers on the land.

I have a feeling that we will go into this in greater detail down the line, but another brief question.

With respect to the proposed changes through Executive Order 246 that deals with the affirmative action program, what is the status of your discussion with Attorney General Ed Meese regarding this matter?

Secretary BROCK. We are having a continuing conversation.

Senator ANDREWS. Hopefully, we will see some light at the end of the tunnel, shall we say?

Secretary BROCK. There is always light at the end of the tunnel.

Senator ANDREWS. I know, but some tunnels are longer and darker than others.

Secretary BROCK. You and I have a colleague named Mac Mathias, who is an old buddy, and he says, "You know, in this town, the light at the end of the tunnel is usually a train coming the other way." [Laughter.]

Senator ANDREWS. I know that. He says it well. Mathias, Weicker, and I are three of those, shall we say, thoughtful moderates, and sometimes we wonder if the train is coming from the other direction, and we are going to see the light. With you helping, I think we will try, and we will probably see more light than dark.

Good to have you here, Mr. Secretary.

Senator WEICKER. Thank you, Senator Andrews.

The minority leader.

BLACK LUNG CLAIMS PROCESSING

Senator BYRD. Thank you, Mr. Chairman.

Mr. Secretary, back to black lung.

The budget justification projects that the Office of Administrative Law Judges will not meet the 8,500 cases to be disposed of in fiscal year 1986 as we had hoped, but it will only dispose of 8,050. Am I correct?

Secretary BROCK. Yes, sir.

Senator BYRD. What I would like to know is how Gramm-Rudman has impacted on the claims processing and, therefore, on the number of claims that have been disposed of, and the number that could be disposed of?

Secretary BROCK. Senator, I am not sure that I know yet. Can I get it for you?

Senator BYRD. Yes; if you would.

Secretary BROCK. It is a matter of some concern, as you and I have talked about this subject a lot, and I have told you how strongly I feel that we morally have an obligation, as well as economically, to get that backlog resolved.

I expressed, I think before you came in, the appreciation that I had for you and for the leadership of the committee in providing us with support for the last year, to begin to deal with that. We are very grateful for that.

[The information follows:]

IMPACT OF GRAMM-RUDMAN-HOLLINGS LEGISLATION ON BLACK LUNG CLAIMS ADJUDICATION

As a result of delayed passage of the fiscal year 1986 appropriation and other problems encountered with filling the additional positions authorized, the Office of Administrative Law Judges will produce 450 fewer black lung dispositions than originally planned. Had the appropriations bill been passed at the beginning of the fiscal year, Gramm-Rudman-Hollings legislation, requiring reduced staffing levels, would have had the effect of reducing production by 450 cases. The Benefits Review Board will produce up to 300 fewer dispositions as a result of Gramm-Rudman-Hollings legislation. The Office of the Solicitor will reduce its Black Lung Program commensurate with adjudicatory workload.

GRAMM-RUDMAN-HOLLINGS IMPACT

Senator BYRD. I thank you, too, Mr. Secretary. You and I have met on a number of occasions, with Senators from both sides of the aisle, and representing various States.

I am told that Gramm-Rudman takes $6.6 million from the Black Lung Benefit Program, and about $2 million of that from administrative costs.

Secretary BROCK. That is right.

BLACK LUNG ADJUDICATION

Senator BYRD. Last year, we added $3.5 million to increase the staff in the Office of Administrative Law Judges, and that funding would allow for the hiring of 15 administrative law judges, 26 attorneys, and 19 support staff, as well as the opening of a temporary office.

Can you tell us how many administrative law judges you now have on board as a result of that amendment?

Secretary BROCK. I will have to get that for you, but I will be happy to do that.

[The information follows:]

HIRING OF ADMINISTRATIVE LAW JUDGES

As of April 1, 1986, five additional administrative law judges have been hired. Commitments have been made to hire two additional judges who will be on board by June 30. In addition, through the rehired annuitant program, we have secured the services of the equivalent of two judge staff years. Finally, we are close to agreement with the National Labor Relations Board to borrow five judges. Staffing delays were encountered due to delayed passage of the fiscal year 1986 appropriation as well as due to the difficulty in hiring experienced judges from other agencies at the GS–15 level. Even so, it is expected that all judge resources authorized in the appropriation, adjusted to reflect the effect of Gramm-Rudman-Hollings legislation, will be utilized. In addition, all attorney and support staff authorized under the adjusted appropriation have been hired.

ADDITIONAL ADMINISTRATIVE LAW JUDGES

Senator Byrd, I think our fiscal year 1986 add-on was a total of 60, as you have noted, whether we have precisely that or not, I don't know.

Mr. KOMAREK. Senator, I have spoken to Administrative Law Judge Litt, the chief administrative law judge, and with the 4.3 percent Gramm-Rudman-Hollings reduction in this fiscal year, it crosses all parts of the department, and we are watching our dollars very carefully. Judge Litt is proceeding to make the hires, to achieve this goal, and I expect that by the start of next fiscal year, assuming that our budget is approved as it is requested that we will be at budgeted levels.

So he is continuing to build up, he is just doing it gradually in order to assure that we don't over spend the budget this year.

Secretary BROCK. If I hear Tom Komarek correctly, we are hiring more slowly than we would otherwise hire, but we are going to continue to hire to reach the level.

Senator BYRD. Is that because of Gramm-Rudman?

Secretary BROCK. Yes, sir.

Senator BYRD. I have information which indicates that at the end of fiscal year 1985, 37 administrative law judges were on board in the Black Lung Program, and that 37 should be 52 by the end of fiscal year 1986. Your projections show that the number is less than that.

Mr. KOMAREK. We are going to get to that number, Senator, it is just that we are moving toward it a little more slowly because of Gramm-Rudman-Hollings.

Senator BYRD. As to attorneys, and support staff, I understand that the budget justification shows that there were 100 attorneys and support staff in the Office of Administrative Law Judges in fiscal year 1985. Under the amendment that we adopted, 45 additional attorneys and support staff were to be added.

Secretary BROCK. Yes.

Senator BYRD. For a total of 145.

Secretary BROCK. Yes.

Senator BYRD. The budget shows staffing at only 118 in fiscal year 1986, and 125 in fiscal year 1987, which would still be 20 short from what we call for in the amendment. Can you verify those figures for me?

Mr. KOMAREK. The 1985 numbers, Senator, the discrepancy there is at least explained partly by the fact that as we are building, those positions are not full for the entire year. So effectively, in terms of full-time equivalent positions, we would have less than the number that we had at the end of the year. We will have to answer further about the difference in fiscal year 1987.

Senator BYRD. The Department estimated that there would be 8,500 claims disposed of in fiscal year 1986, with the additional resources. Could you state how Gramm-Rudman impacts on the projections?

Mr. KOMAREK. As you noted earlier, Senator, we are going to be under that number in terms of the dispositions this year, and that is for two reasons.

Yes; because of Gramm-Rudman-Hollings, we are gearing up a little more slowly than we had anticipated; and, second, one of the things that we need to do, as we hire and get new people under this program, is to take some time to train people, to realign office procedures.

So it is a combination of Gramm-Rudman-Hollings slowing things, and the need to train these people that caused us to fall below our 1986 projections.

Senator BYRD. The need to train the people, I would assume, was taken into account when you made the earlier projections.

Secretary BROCK. The answer to the question, Senator, in terms of net effect, is probably something close to 6 percent affecting caseload completion.

Senator BYRD. And you would ascribe that to Gramm-Rudman?

Secretary BROCK. The tightness of the program budget. Actually, we are doing better than we would have done without the help that you gave us last year. but it is still not good enough in my judgment.

Senator BYRD. Additional funding was also provided to hire additional personnel in the Solicitor's Office. Can you state how many additional staff you have hired or are planning to hire for that office?

Secretary BROCK. We are planning to hire 22. I am not sure how many we have at the moment.

Ms. WYRSCH. We don't have that number.

Secretary BROCK. I will come back to you on that.

[The information follows:]

SOLICITOR'S BLACK LUNG STAFF

The fiscal year 1986 appropriation provided 22 positions for the Black Lung Program in the Office of the Solicitor. To date, six positions are filled and commitments made for two others in the national office. Authority to hire 10 positions has recently been given to the regional offices to hire from outside. Gramm-Rudman-Hollings legislation required that this program be reduced by four positions.

BENEFIT REVIEW BOARD STAFF LEVEL

Senator BYRD. In 1985, fiscal year 1985, an amendment was adopted on the floor to provide funding to extend the Benefits Review Board to nine members.

How will Gramm-Rudman impact on the Benefit Review Board staff and the number of cases heard?

Secretary BROCK. It shouldn't have too much of an effect there. That is at the tail-end of the process, and we are still running through this choke point problem that you and I have talked about.

We still intend, I think, to add 12 more staff positions to the BRB, which would allow us to maintain the pace of taking care of the case-load that has developed at the administrative law judge level. That does not appear to be a problem for us at the moment, as far as I know.

CLOSING OF BLACK LUNG FIELD OFFICES

Senator BYRD. The report that accompanies the appropriations bill has directed that there be no closure of black lung field offices, but does not the fiscal year 1987 budget call for closure?

Secretary BROCK. Of those offices which have nothing to do with processing benefits, or adjudication of those cases.

Senator BYRD. We have six field offices in West Virginia, Elkins, Bluefield, Beckley, Logan, Madison, and Morgantown. Do you plan to close any of those offices in fiscal year 1986 or fiscal year 1987?

Secretary BROCK. In 1987, yes. Those offices that do not provide anything more than an information service, we are intending to close. We have put our personnel emphasis on the actual handling of cases.

Senator BYRD. Which offices, among those that I have named, would be closed?

Ms. WYRSCH. Senator, right now we don't have a definitive list of which offices would be closed. We have proposed, in the 1987 budget, that there would be field stations terminated, but the specifics have not been arrived at.

Senator BYRD. How soon can you indicate which of the six offices in West Virginia will be closed, if any?

Ms. WYRSCH. I would say, within the next couple of months.

Senator BYRD. Do you feel that any one of those offices is merely performing an information function now?

Mr. KOMAREK. That is the design of the budget, Senator. What we are proposing is that we will close those offices that are supplying only information and preserve the offices that perform the basic processing functions.

Senator BYRD. Apparently, you feel that one or more of those offices merely performs an information function, do you?

Mr. KOMAREK. Yes, Senator.

Senator BYRD. You can't say which?

Secretary BROCK. I can't, but we will try to find out for you, and do so very quickly.

Senator BYRD. If you find that the offices perform functions other than information, then, you would not close them?

Mr. KOMAREK. Again, Senator, the design of the budget is that it would try to preserve the basic processing functions of the Black Lung Program. It may well be that these offices provide some services other

than pure information. We are looking not to cut any offices that would impact on the basic processing of cases.

Senator BYRD. I am glad to hear that.

On each of the black lung offices in West Virginia, would you supply, for the record, the cost of rental and what savings you would project that would be effected if one or more of those offices were to be closed?

Secretary BROCK. Yes.

[The information follows:]

SPACE RENTAL SAVINGS: BLACK LUNG OFFICE CLOSURES

The space rental estimate in the employment standards administration's fiscal year 1987 budget request is $13,933,000. All cost savings projected to be realized due to office closures were reflected in this estimate. The fiscal year 1987 annual space rent costs for all black lung field stations amount to $35,735 of which $10,431 relate to those field stations in West Virginia.

BLACK LUNG CASELOAD IN WEST VIRGINIA

Senator BYRD. Would you supply for the record, then, the information with respect to the number of cases that have been processed in each of the last 5 years overall, and in West Virginia, and what the remaining caseload was and is for those 5 years, including this fiscal year and the next fiscal year. Would you do that?

Secretary BROCK. I will try.

[The information follows:]

BLACK LUNG CASE PROCESSING IN WEST VIRGINIA

Below is a chart showing actual cases processed and cases pending in the Black Lung Program, nationwide, and in West Virginia for fiscal years 1981–85 and estimates for fiscal year 1986–87.

	Nationwide		West Virginia	
Fiscal year	Processed	Pending	Processed	Pending
1981	47,824	5,998	5,942	1,146
1982	15,875	4,500	1,682	1,319
1983	13,398	6,739	1,588	1,849
1984	13,497	5,576	2,400	1,626
1985	11,164	5,195	2,803	826
1986 estimate	8,880	4,883	1,447	796
1987 estimate	8,500	3,976	1,385	648

BLACK LUNG CLAIMS PROCESSING

Senator BYRD. Thank you, Mr. Secretary, not only for your appearance here today, but also for the concern that you have shown repeatedly with respect to the slowness of the processing of black lung claims. You have been kind enough to visit my office on a number of occasions, and meet with me and Senators on both sides of the aisle, and you have always shown a great interest and a real concern. I think that you have been most cooperative. I hope that we can continue to work together in that fashion to reduce these caseloads and speed up the process.

Secretary BROCK. Thank you, Senator. You have my personal commitment. This is inexcusable. It cannot continue, and I will do the best I can. I really do appreciate the help that I am getting from you.

Senator BYRD. Thank you.

I want to say, thank you, also to our chairman, Senator Weicker, and the ranking member of the subcommittee for the consistent support that they have given to this cause. I would have to say, I think the chairman has dealt with this just as if 4,000 black lung cases were in his own State. Thank you.

Senator WEICKER. Senator Chiles.

Senator CHILES. Thank you, Mr. Chairman.

Mr. Secretary, I want to join my voice in commending you for your leadership at the Labor Department. I understand that the employee morale is higher than it has been there in a long time, and I think that it has very much to do with the kind of leadership that you are providing.

ECONOMIC COMPETITION

I am pleased to see the focus on the competitiveness of things. I firmly believe that that is one of the most important keys to our economic viability in the coming decade. I think that we have gotten so concerned—I say this to myself—in trying to deal with the deficit that we look around and we know we have to cut everything. Yet a budget is supposed to be a move toward the future. If we don't do something to allow this country to be able to compete, we may cut the deficit, but we may be cutting our throats at the same time.

So I am delighted to see that you recognize that, and that you are trying to do something about it. I understand some of the handicaps that you are working with, but I wish somehow we could educate more people in the administration, and perhaps in the Congress as well, that we have to do something about this whole issue.

Secretary BROCK. Senator, let me just interject. I am grateful for your raising this subject. I think the thing that makes me feel best about this country is that we are beginning to have this conversation now. Maybe we didn't have it 5 years ago.

It is irrational to consider any legislation in the Congress without putting it in the context of competition, and its effect on this Nation's ability to survive in a very tough and competitive world. It applies to our schools, where we are simply not doing an adequate job today. It applies to our training programs, where we have to do better. It applies to the tax legislation that you are going to be debating this year.

It is insane to consider a tax bill without considering the effect of that bill on our ability to compete in the world.

Senator CHILES. Some of us asked the Wharton School to draw sort of a model, basically setting how we stood against other nations in our ability to compete, where are our pluses and minuses, and what are our problems.

As you may know, the high dollar and the interest rates were very, very high on that list, but also, of course, was research and development, education, basic productivity in jobs, retraining, personal savings, those kinds of things.

If you use something like that and sort of weigh each piece of legislation we consider—the tax bill is a very, very major piece, but we are not thinking about it in that light. The same thing is true with many of these programs that we now have the axe after, and are considering where we are going to make cuts, yet we are not looking at what the Europeans are doing, what the Japanese are doing, and so we are locking ourselves in 20 years down the road.

Secretary BROCK. The scary thing is that some people seem to think that we can compete with the world on the basis of wages.

Senator CHILES. Yes.

Secretary BROCK. Gosh darn it, try that for a little bit, and see whether we can eat on what they are paying them in the People's Republic of China.

It will never happen. Either we compete on the basis of capital and entrepreneurial activity in our minds——

Senator CHILES. We did compete that way for a long time, and we had a lead, until they started to take our technology, and improve on it even. So we have lost that kind of lead.

Secretary BROCK. You are not going to compete on the basis of anything other than wages unless you raise the rate of national savings up, because your interest rates are simply too high, and it means that we can't give our workers the tools, intellectual or physical tools, to compete with a low rate of savings.

The rate of savings in this country, the highest estimate is 6 percent, and most of us think that it is probably around 3 percent, so you can't do that, when in Europe it is 13 percent in Germany, and about 18 percent in Japan right now. They are going to eat our lunch if we don't change that.

Senator CHILES. They certainly are. Then, of course, we must do something about the number of engineers, and other scientists. I understand that there are less physics teachers in our high schools today than we have school boards.

Secretary BROCK. I just wish that the physics teachers we have understood physics.

Senator CHILES. That is true, too, and if they do, they are hired away by the private sector very quickly.

Secretary BROCK. Or private schools. We just have a lot of work to do, and you are right to put the emphasis where you are.

Senator CHILES. I think we are.

HIGH SCHOOL DROPOUTS

Along that line, I am very concerned with the growing size of our dropout population. Last fall, I introduced legislation, and others have as well, to assist schools in developing programs to prevent the teen-

agers from dropping out. My State has a 33-percent dropout rate, and the national average is about 27 percent.

For those who drop out, certainly the training programs might upgrade their education, give them vocational skills, and reduce their dependence on the welfare state.

As you said earlier, many of these programs are remedial, and I agree, but at the same time—I am getting a little education on dropouts. I am understanding that it doesn't happen immediately when they turn 16, or go into the 10th grade. The die is cast, that they are going to drop out, probably in the second or third grade.

They fall behind, and they are warehoused for a period of time, but they are not going to make it. They don't like school, or they begin not to like school.

There are all kinds of things that we are going to have to do, but how are we going to do that when we cut the Job Corps by 44 percent, and if we are going to cut the Summer Youth Program, and the WIN Program? How are we going to undo some of these things.

Secretary BROCK. Let me try to answer the question sequentially.

We are taking the Job Corps back to where it was in the 1970's. I am not comfortable with the fact that we can't serve that entire deeply disadvantaged community, but we never will be able to do that. What we are trying to do is operate as effectively as we can, with as many slots as we can, and understand that those kids are not going to be served anywhere else.

That is 22,000 slots, Senator, and there are 700,000 kids dropping out of school every year, and Job Corps does not tackle much of that problem.

Senator SPECTER. Mr. Secretary, could you speak up a little bit, I can't hear you.

Secretary BROCK. Excuse me.

Just to repeat, in the Job Corps Program, we have 40,000 slots now, and we are talking about going to 22,000, although we think that we can do better than that, but somewhere in the twenties. With 700,000 young people who drop out of school every year, we are treating less than 5 percent of the problem. You can't say that Job Corps is a complete answer.

Summer Youth, that is a limited time, a summertime job opportunity to give them their first job experience to give them a sense of the fact that they can be productive as human beings. I don't think that anybody would argue that it hasn't been a good program, we just don't have the money.

What we are doing is saying, we don't have the money, and we are suggesting funding at a much lower level, but we are also asking you for discretion to go to those areas of primary need.

The truth of the matter is that those young people that have no place else to go are in urban areas. Eighty-six percent of the blacks in those circumstances are in urban areas, and we would like to put those resources in those areas where they can do the most good for those most in need.

I cannot stand before you and suggest that we are going to satisfy the hunger for help in this country, because we aren't. We have got to do the best we can with what we have, and that is what we are suggesting to you.

Senator CHILES. The administration suggested that many of our teens and AFDC mothers can be served by training programs operated out of the title II State block grant.

Secretary BROCK. That is correct.

Senator CHILES. We are asking for the same amount of money for those funds.

Secretary BROCK. That is correct.

Senator CHILES. How are we going to do that?

Secretary BROCK. I don't think that you can say that title II is a direct offset, that is a year-around program. It is not an offset for Summer Youth.

We are going to supply less services to young people in the Summer Youth Program than we are presently supplying in 1987, it is as simple as that. But, let's be honest about it, the rate of unemployment is half what it was, so we do have a more defined problem.

Senator CHILES. Not for these affected people that we are talking about.

Secretary BROCK. With these affected people, we are getting down to the hard part of the problem now, and that is where it is really tough, so our performance is probably going to suffer.

I think Senator Proxmire noted earlier, we are getting less yield than we would like, and the problem seems to be increasing.

I don't have good answers for you. I would like to be doing a lot of things, but we just don't have the finances to do them, and I don't see the prospects of getting them. What we have to do is to increase—I said, before you came in, one of the reasons that we asked for an additional $30 million in pilots and demonstrations, and research and evaluation is to see if we can find ways to increase the yield on what we do, the leverage factor, with some different approaches, State, local, private sector, or whatever, because I don't see the possibility of us having the funds available for the foreseeable future to do what it would be good to do.

DISLOCATED WORKER ASSISTANCE

Senator CHILES. Going now to the dislocated workers, the President often states, in rejecting some of our trade legislation that comes from Congress, that the workers are better served by enrollment in retraining programs operated under title III of the Job Training and Partnership Act.

Certainly, retraining dislocated workers is a key and crucial element of a competitive trade policy. Given the administration's proposals for title III, you have to wonder about the President's real commitment.

For example, what is the rationale for asking for a $74 million supplement to bring the fiscal year 1986 funding up to $174 million, when

the request for 1987 is only $100 million. We are saying that we need $174 million for 1986, but we are only asking for $100 million in 1987.

Secretary BROCK. There are two elements to that rationale. First, we got behind the curve with all the trade impacted dislocation we had last year and this year, and we are playing a bit of catch-up on that, so we asked for the supplemental. If my judgment is correct, that problem will diminish with the dollar reaching a much more reasonable and realistic value. It takes, granted, 18 months for that to work through.

Senator CHILES. That is what I was wondering.

Secretary BROCK. Remember, we started the decline with regard to most currencies last spring or late winter, and we got the primary effect beginning in September, September through the last 4 months. So we should begin to see some amelioration by maybe summer or fall of this year, and more significantly in fiscal year 1987, it should be fairly substantial. That is what we are talking about.

The second element, though, may be even more important because I don't think any of us, I certainly have no credentials as a prophet, know what is going to happen, but my judgment is that it is probably going to stabilize in this area of the problem.

Right or wrong, what we asked for is a change in the program. Right now, I am required to pay out 75 percent of this money to the States on a formula basis, and I have 25 percent that is available for discretionary. We are asking for your authorization to do it all on discretionary because I don't think that it makes sense to just equally disburse these funds to the States by a formula which does not directly reflect dislocations.

Some States are not using these funds very effectively at all because of a lack of need. Under our proposal, funds could be targeted to an area such as Quincy, MA, where, when they close a shipyard you have 6,300 workers laid off, and our program can provide a real bang of an impact on the community. There, hopefully, we can go in, in advance, and provide some services that can help.

Senator CHILES. You probably make a very reasonable argument. Does this mean that we are abandoning the President's federalism approach which says that the States have the wisdom to be able to do some of this, and we are going to cut these funds out of other areas?

Secretary BROCK. You know me better than to have me abandoning anything that the President wants. I am not going to do that.

I have had conversations with my friends at OMB on the fact that they are different programs, some are Federal, some are State, and some are local.

Senator CHILES. Sometimes we get different arguments, and these arguments run into each other.

Secretary BROCK. You have to be practical.

Senator CHILES. You have to be flexible.

Secretary BROCK. In this case, I think I have a better answer than we had with the old way of doing it, or I hope I do.

You see, if every State was as good as Florida, we wouldn't have to worry about all this stuff. You guys are so progressive.

Senator CHILES. We have plenty of problems.

Secretary BROCK. I am aware of that.

ADVANCE NOTIFICATION OF PLANT CLOSINGS

Senator CHILES. According to the recent Office of Technology Assessment report, "Advance Notification of Plant Closing," when combined with the provision of retraining and other supportive services, facilitates a much smoother adjustment to the displacement. Some States have attempted to work with local industries and groups to make sure that, when possible, workers start receiving retraining even before they are laid off of their job, when you know that the plant is about to close.

However, the Office of Technology Assessment report finds long time lags between the States' application for the discretionary moneys and the receipt by the Secretary. Is there any way of speeding up that process?

Secretary BROCK. Yes.

Senator CHILES. It looks like that time lag works very much against what we are trying to do.

Secretary BROCK. We have tried very hard to address that. That is a fair criticism, and we are responding to it by trying to eliminate the roadblocks for early decision, and simply by deciding at the management level that we have to act faster. It doesn't do nearly as much good when it comes after the fact, and we are asking firms to let us know, and the unions to let us know. We have a large number of cases where we have gone in well before the closing, and we intend to do a lot more of that because it simply makes good sense. It is good for us, and it is good for them.

If we can get in there and give these workers some options as to the kind of employment they can seek, they know whether they need training or not. They may be able to move straight into a job that they didn't know existed in an adjacent county, or something like that. If there is a job there that they are not trained for, then they know what kind of training they have to seek. It makes economic sense. We can save money and increase our performance, and we will try very hard to do that.

Senator CHILES. Mr. Chairman, I have some other questions that I will just submit for the record.

Senator WEICKER. Thank you very much, Senator Chiles.

Senator Specter.

BLACK LUNG BACKLOG

Senator SPECTER. Thank you, Mr. Chairman.

First, Mr. Secretary, I would like to compliment you on the job that you are doing. I hear good comments on all sides, business and labor, perhaps because of your special sensitivity for some of the labor problems that have not been recognized with sensitivity in the past.

A good bit of the areas have been covered, but there are a few comments that I would like to make. I understand that Senator Byrd went into the black lung issue with you, and I will talk with him about your responses, but just a word of emphasis.

Black lung is a terrible problem in a State like Pennsylvania. We have more than 6,200 Pennsylvanians who are waiting for adjudication of some 21,500 cases that are backlogged. I would like to ask whether there is any way that more emphasis would be given to those cases, with a transfer of administrative law judges, or whatever. It is really impossible to answer a constituent who faces a black lung problem, somebody who is disabled, who has waited for 3 years, and the family has waited for that long a period of time. It is very hard to respond to.

I know that we have gotten some help in the field, but I would urge you to do even more.

Secretary BROCK. Senator, let me just interject for the record, first, how much we appreciate the support that we have gotten from you, from Senator Byrd, and from others who care about this problem.

We got caught before I got there. The Department got caught with a change of law that really changed the mix, and we have a flood of people with different, more complicated questions, and they got way behind the curve.

When I came in, coming from a State that is very familiar with the problem, as I do, I was just astonished and really concerned. It is unethical, immoral, whatever word you want to use, to leave people hanging out there in this kind of uncertainty, and we are going to try very hard.

I just wanted to say, first, that what you did last fall to help us with funding to get these additional administrative law judges, the people in the Solicitor's Office, to accelerate our servicing of these claims really helped, and I appreciate it.

We are asking for some further increase this year, and I would appreciate that as well.

Senator SPECTER. I have a sense that there are a lot more administrative law judges working on other matters who are not doing work that has the same high priority as this. That is an entire field that we are going to be taking a look at in the Judiciary Committee, and maybe we can give you some more help with reallocations.

Secretary BROCK. I will be happy to talk to you about anything else we can do. We are concerned about the problem, and we are going to try to work with you.

Senator SPECTER. When we talked, Mr. Secretary, about the problems with the Job Corps, Work Incentives, and Summer Youth employment, I had a sense that you were probably more adversarial in your discussions with OMB than you are with this subcommittee on these kinds of subjects, and you have been on this side of the table as well.

I would not be surprised if the subcommittee has a disagreement with the administration about what is the appropriate funding level on these items.The chairman has been very forthright and very forceful in

the past, and I think that a majority of this committee is going to back him. So let there be no surprise if we place a higher priority on Work Incentive, for example, so long as we remain convinced that it is productive, cost effective, and yields more money by way of later revenues. The same is true of the Dislocated Worker Program, and the Trade Adjustment Assistance Program.

On that subject, I quite agree with you that you need the discretion to do targeting. You might expect me to say that, representing Pennsylvania, which has massive unemployment in the steel areas, 35 to 40 percent. If you go into the inner-cities of Philadelphia and Pittsburgh, black unemployment is just at an atrocious level. There really has to be some kind of a response to that, and perhaps you can do it on a targeted basis.

On the subject of mine inspectors, I see that number continues to go down, down: 788 in fiscal year 1985, 766 as of today, and 750 after sequestration. I know that some mines have closed, so there may be fewer inspections to conduct. But mine safety is just overwhelmingly important, and we don't focus on it until a crisis arises and somebody is caught in a mine tunnel.

I urge you to take a look at that. I hear about that all the time all over my State.

Secretary BROCK. Senator, the two areas that I thought imperative that we hold harmless, even from Gramm-Rudman-Hollings, to the extent that we could, were OSHA and MSHA.

We have awfully good people, and we are working awfully hard. We are stretching our resources very thin now.

AFFIRMATIVE ACTION

Senator SPECTER. The last point that I want to make, and I appreciate the chairman's indulgence here, is on Executive Order 11246, where we read from time to time about what is happening. That is a matter of enormous importance in many, many directions. There are large segments of this country watching that issue very closely.

We have fought some real battles in the Judiciary Committee on related subjects. When the Attorney General was up for his confirmation hearings, in response to my questions, he was very positive about his commitment to affirmative action. You might wish to review some of that testimony if and when you have some further discussions on it.

I think that you really have to stand fast on that. You have a lot of support in the Senate, and in the House, and in the country on that. It is very hard to say how the change of words will affect the administration of the order. It is a very difficult thing to project, but as a matter of commitment, of symbolism, I think that it would be just really tragic if there were any retreat from the language which exists today.

Secretary BROCK. Senator, I will simply state that I believe very deeply, first, that we need an affirmative action program; second, that we can have one that does not contain quotas or explicit, or even implicit, preferences, but one that will still work to deal with the problems

we have in this country. There still is discrimination. There still are the effects of discrimination. Women and minorities have not had full and equal access to this country's system. They are getting it much better now, but I think that we have a ways to go before we reach the ideal world.

Senator SPECTER. That commitment has to be maintained, and I think that it has been maintained by the administration. I know that it is being maintained by you. I think that the Attorney General is committed to it, too, and it is sort of a different consideration as to how you modify the words of the Executive order. But even if the existing program were maintained as to administration and application, and those words were modified, it would be a terrible setback for the country and for the President, and for equal opportunities.

Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Senator WEICKER. Thank you, Senator Specter.

Mr. Secretary, thank you very much for your testimony. We look forward to working with you in the weeks ahead. I especially would hope that someone from your office would be assigned this particular problem of the 66-percent disabled American being unemployed.

Secretary BROCK. We have to work on that.

Senator WEICKER. The best of luck to you on everything. I think you got the flavor here of how highly you are thought of in the Senate of the United States.

Secretary BROCK. Thank you very much.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There will be some additional questions from various Senators and myself which we will submit to your for your responses.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

Question: For the Department of Labor as a whole, you are about to lose Budget Authority of $363 million as of March 1st, due to across-the-board cuts required under the Gramm-Rudman legislation.

Briefly tell us the impact of these cuts on Labor Department programs.

Answer: As a result of the Balanced Budget and Emergency Deficit Control Act of 1985, the Gramm-Rudman-Hollings (GRH) Bill, a total of $362.6 million in Fiscal Year 1986 spending authority was canceled on the effective date of the President's sequestration order, March 1, 1986. Of this amount, $236.7 million is reduced from enacted budget authority, and $116.3 million is reduced from amounts available through trust fund transfer. The remaining $9.6 million comes from reduced spending authority in the Unemployment Trust Fund and the Special Worker's Compensation Accounts.

Enrollments in programs authorized by the Job Training Partnership Act and the Older Americans Act will be reduced approximately 4.3 percent as a result of GRH. For the Job Corps, the estimated enrollment decrease may cause the closing of 2-8 centers because of the high overhead costs which are incurred when centers operate below capacity. The Congress will be consulted prior to announcing any center closings. In the Employment Service we estimate that we will still be able to accomplish our workload. However, these reductions will introduce delays in processing workload, staffing, and the acquisition of ADP equipment and other purchases. Since these are state grants and the program year does not begin until July of 1986, it is too early to tell if any local Employment Service offices will be closed.

OSHA's Federal enforcement activity will provide coverage to 3 million employees. This is a reduction of 500,000 from the orginal FY 1986 estimate. MSHA will continue to provide coverage to all mine workers by carrying out its mandated inspections. The frequency of other inspection activities will be decreased.

The Department's staffing will not be severly impacted by the costs. We may have one or two agencies that may have to furlough for a very limited number of days. It is still too early in the year to know which agencies are affected and how many employees will be impacted and for how many days.

IMPACT OF GRAMM-RUDMAN

Question: In a number of agencies, you are seeking restorations in fiscal 1987 of the across-the-board 4.3 percent cuts being imposed in fiscal 1986 under the Gramm-Rudman legislation?

What agencies program would be most severely impacted if these cuts were continued throughout fiscal year 1987?

Answer: The Department of Labor is seeking restoration of $198.3 million of the total GRH sequestration of $362.6 million. The attached table displays by account what the sequestration was and how much we are seeking in restoration in FY 1987. The Employment and Training Administration's TES and SUIESO appropriations would be least affected by failure to restore the cuts in 87; since in these accounts we are not seeking restoration of $158.3 million.

U.S. DEPARTMENT OF LABOR
BUDGET AUTHORITY AND TRUST FUND TRANSFER AUTHORITY BY APPROPRIATION
FY 1986 GRH SEQUESTRATIONS AND FY 1987 ADD-BACKS
($ in 000's)

	FY 1986 GRH Sequestration	FY 1987 ADD-BACKS
Current Authority Provided Through Appropriations Committees:		
Employment and Training Administration:		
Program Administration	($2,930)	$0
[Trust Fund Transfer]	(1,834)	0
Training and Employment Services	(149,853)	48,189
Comm. service Emp. for Older Americans	(13,998)	13,998
Fed. Unemp. Benefits and Allowances	0	0
St. Unemp. Ins. and Emp. Ser. Operations	(1,015)	0
[Trust Fund Transfer]	(105,618)	52,029
Adv. to the Unemp. Tr. Fund and Other Funds	(215)	0
Later Transmittal	0	0
Total, Employment and Training Administration	(168,011)	60,187
Later Transmittal	0	0
[Total, Trust Fund Transfer]	(107,452)	52,029
Labor Management Services - Salaries and Expenses	(2,463)	2,463
Pension Benefit Guaranty Corporation (Admin.) [Trust Fund Transfer]	(1,408)	1,408
Employment Standards Administration:		
Salaries and Expenses	(8,178)	8,178
[Trust Fund Transfer]	(17)	17
Special Benefits	(22,843)	22,843
Black Lung Disability Trust Fund	(6,618)	6,618
Later Transmittal	0	0
Total, Employment Standards Administration	(37,639)	37,639
Later Transmittal	0	0
[Total, Trust Fund Transfer]	(17)	17
Occupational Safety & Health Administration: Salaries and Expenses	(9,353)	9,071
Mine Safety and Health Administration: Salaries and Expenses	(8,522)	8,522
Bureau of Labor Statistics: Salaries and Expenses	(6,821)	6,036
[Trust Fund Transfer]	(1,561)	1,561
Departmental Management:		
Salaries and Expenses	(4,269)	4,269
[Trust Fund Transfer]	(11)	11
Office of the Inspector General	(1,654)	1,654
[Trust Fund Transfer]	(139)	139
Veterans Emp. Service [Trust Fund Trans]	(5,718)	5,718
Special Foreign Currency	(2)	2
Total, Departmental Management	(5,925)	5,925
[Total, Trust Fund Transfer]	(5,868)	5,868
Summary: Current Authority	(236,734)	127,843
Later Transmittal	0	0
[Trust Fund Transfer]	(118,306)	60,883

U.S. DEPARTMENT OF LABOR
BUDGET AUTHORITY AND TRUST FUND TRANSFER AUTHORITY BY APPROPRIATION
FY 1986 GRH SEQUESTRATIONS AND FY 1987 ADD-BACKS
($ in 000's)

	FY 1986 GRH Sequestration	FY 1987 ADD-BACKS
Permanent Authority Provided Through		
Legislative Committees:		
Employment and Training Administration:		
Gifts and Bequests	0	0
Unemployment Trust Fund	(9,493)	9,493
Later Transmittal	0	0
Total, Employment and Training Administration	(9,493)	9,493
Employment Standards Administration:		
Black Lung Disability Trust Fund	0	0
Special Worker's Compensation Expenses	(113)	113
Total, Employment Standards Administration	(113)	113
Summary: Permanent Authority	(9,606)	9,606
Later Transmittal	0	0
Total, Gross Budget Authority	(246,340)	137,449
Later Transmittal	0	0
[Trust Fund Transfer]	(116,306)	60,883
Interfund Transactions	0	0
Later Transmittal	0	0
Proprietary Receipts: State Interest on Loans	0	0
Proprietary Receipts: Miscellaneous	0	0
Total, Net Budget Authority	($246,340)	$137,449
[Net Trust Fund Transfer]	($116,306)	$60,883

WORKING MOTHERS

Question: Mr. Secretary, as I know you are aware, there has been an increase in the number of families headed by women. What effort is your Department making to address the problems facing working mothers, and in particular those who are unmarried, separated, divorced and widowed?

Anwer: In keeping with the Secretary´s Long Term Goal to improve the economic opportunities of american workers, the Women´s Bureau has been designated as the lead agency to carryout the supporting goal of improving the emplcyment opportunities for single female heads of household and displaced homemakers.

The Bureau is preparing to hold two national and twelve regional constituency meetings with experts in the private and public sector who have worked with or done research on these two target groups to identify issues of primary importance to them. An Intradepartmental Task Force has been established under the leadership of the Women´s Bureau with the Employment and Training Administration, the Bureau of Labor Statistics, the Assistant Secretary for Policy, and the Bureau of Labor-Management Relations and Cooperative Programs. This taskforce will consider the issues identified through the constituency meetings in developing a plan of action for improving employment opportunities for women who fall in either of these groups through departmentwide initiatives.

The Bureau has also been actively involved in promoting employer-sponsored child care, as a benefit for workers, over the

last five years. We have conducted seminars for employers, prepared a videotape "The Business of Caring", and published several booklets on how to establish child care systems and on the need for such systems. In addition, the Bureau has funded the child care component in four of the six programs funded by the Rockefeller Foundation to provide skills training to disadvantaged women who maintain families. FY '86 marks the fifth and final year of support to these child care components. The programs, through the Bureau grant, provide child care supportive services, counseling, and works with employers to encourage their participation in child care as an employee benefit.

For the more mature working mothers, the Bureau has supported the Displaced Homemakers Network in their efforts to encourage program funding at the State and local levels for women who must return to the workforce due to divorce, separation or widowhood. The Network provides a variety of other services to local programs and the women themselves as they seek to improve their employment opportunities.

As a part of the current Displaced Homemaker Network grant, the Network has joined with Wider Opportunities for Women to develop and conduct ten seminars across the country on ways to link the resources available through the Job Training Partnership Act (JTPA) and the Vocational Education Act (VEA) in order to expand services to women. In several regions, the seminars will be held in conjunction with Employment and Training Administration's regional meetings for employment and training officials.

POSSIBLE BLACK LUNG SUPPLEMENTAL

Question: In 1985, the Administration proposed a substantial increase in the coal taxes used to finance the Black Lung Disability Trust Fund in order to reduce borrowing by the fund. As part of the deadlocked reconciliation bill the House approved a tax increase last year, but the Senate voted merely to eliminate the Trust Fund's borrowing authority beginning in fiscal 1987. Will coal tax revenues to the Trust Fund, plus the borrowing authority already approved for fiscal 1986, be sufficient to avoid the need for a supplemental appropriation this year?

Answer: Yes. The Department believes that no supplemental appropriation for the Black Lung Program will be needed this fiscal year. An unobligated balance of $45,146,000 was carried over into this fiscal year from the FY 1985 appropriation. That amount, plus the expected excise tax revenues and the already approved borrowing authority are projected to fully meet this year's obligations and permit a further carryover into FY 1987 which is reflected in our reduced appropriation request for that year.

Question: If no coal tax increase is adopted in the near future, what do you project as the short-term (1987-1990) and long-term increase in the Trust Fund deficit?

Answer: At the end of FY 1985, the accumulated indebtedness of the Trust Fund was $2.8 billion. Based on the best and most recent estimates available to us at this time on future coal production from the Energy Information Agency, future excise tax receipts from

the Department of Treasury, our own projections of benefit disbursements and administrative costs, and the Office of Management and Budget's projections of benefit rates and other economic indicators, we now expect that if the Administration's request for an increase in the excise tax on coal is not enacted the short- and long-term end of year deficits of the Black Lung Disability Trust Fund (BLDTF) will increase as follows:

	BLDTF Deficit Projections	
	Administration Policy	Current Services
FY 1987	$3.7 billion	$3.7 billion
FY 1988	4.2	4.2
FY 1989	4.6	4.7
FY 1990	5.1	5.2
FY 2000	11.4	12.5
FY 2010	20.1	23.1

GAO MANAGEMENT REPORT

Question: GAO identified several long-standing program problems--in areas such as pension enforcement, rulemaking, procurement management, and information resources management. GAO said that greater Secretarial attention is necessary to resolve these problems.

What has the Department done to correct these situations?

Answer: Each of the long-standing problem areas GAO identified has been given special attention in the new management process--the Secretary's Management System--that was recently established in the Department. The Secretary has established three long-term, broad goals and in each case included specific action requirements. For example:

- In the first goal, three action areas related to pension enforcement were covered: reduce the PBGC deficit through increased premiums and structural reforms; assess the need for risk-related premiums; and revised the ERISA enforcement strategy.

- The second goal included a number of actions dealing with rulemaking: review present rulemaking process; identify and implement recommendations to increase its efficiency and establish priorities; increase negotiated/mediated rulemaking; and identify and implement reductions in compliance burdens presented by existing regulations.

- The third goal include the following: enhance the effectiveness of the procurement system; and improve the management of information resources.

There are, of course, action plans and milestones that address each of the GAO recommendations. But, in addition, under the Secretary's Management System, each agency must establish sub-goals and milestones that address these key issues. These agency plans are reviewed by the Under Secretary, who has been designated as the official responsible for day-to-day management operations of the

Department, before they are finalized. Progress will be closely tracked on a quarterly basis and feedback provided to the agencies to assure appropriate action being taken. Although the first quarterly reports have not yet been submitted, from the informal and anecdotal information that the Secretary and the Under Secretary have already received, it is clear that the Department has already made very significant progress in each of these areas of long-standing concern.

Question: In October 1985, the General Accounting Office recommended that the Congress work with you to facilitate management improvements, by reaching agreement on key management issues to be addressed and ways to measure progress through periodic oversight efforts.

How can this Committee best help you achieve these objectives?

Answer: Perhaps the best approach to addressing increased Congressional attention to management issues, as proposed by GAO's report, is to enhance two-way communications on subjects of mutual concern. While formal oversight hearings certainly have a role to play, it seems much more fruitful to maintain close, cooperative working relationships based on open communications on a day-to-day basis. The Secretary's Management System that was mentioned earlier will provide the Department with more up-to-date information on progress and problems than it has had previously, so that its key staff will be in an excellent position to participate in a meaningful on-going dialogue with the Committee.

It would also be helpful if this Committee were to suggest to GAO that it supplement its traditional focus on deficiencies in management by identifying systems, procedures and practices in the various agencies that are notably effective. It could then, either directly or through this Committee, disseminate these examples of good management to other Federal agencies. There are now, for example, three separate GAO staff groups studying information resources management in the Department. It would appear more beneficial if some of these auditors could be diverted to a technical assistance role, assisting agencies in implementing improvements that have been developed elsewhere.

Finally, this Committee, and the Congress in general, could facilitate a more cooperative relationship with the Department and the Executive Branch by consistently supporting efforts that promote employee morale, initiative, and productivity. Congress should also support efforts that lead to the adoption of modern, cost-effective automated systems for the handling of recurring processing or data manipulation. In both of these kinds of situations, it may be necessary to spend a little money up front, in order to achieve greater economy later. Congressional support and involvement should be positive, active and consistent, focused at a policy rather than a micro or case level.

Impact of Subminimum Wage for Youth

Question: Last summer, Isabel Sawhill of the Urban Institute alleged the Labor Department has yet to design an evaluation to determine the impact of your proposed 3-year experimental "youth opportunity wage" legislation.

Has the Labor Department developed a plan to evaluate the impact of a summer youth subminimum wage?

Answer: The Department has not developed a formal evaluation plan for the youth opportunity wage proposal. However, we have developed a preliminary design for a survey to collect employment, wage and demographic data which would be used to evaluate the direct effects of the program. A formal evaluation plan will be developed upon passage of the legislation.

COST TO EXTEND EXPIRED TRADE ACT FOR FY 1986

Question: Legislation has been introduced to extend Trade Adjustment Assistance benefits, which expired December 19, 1985. How much would it cost, over and above current appropriations, to pay Trade Adjustment Assistance benefits through the balance of Fiscal Year 1986, retroactive to December 19, 1985?

Answer: The total estimated cost of an extension for FY 1986 is $114.0 million. This includes $109.0 million for benefit payments and $5.0 million for related State administrative costs.

COST TO EXTEND EXPIRED TRADE ACT FOR FY 1987

Question: How much would it cost to extend Trade Adjustment Assistance benefits through Fiscal Year 1987?

Answer: The estimated total cost of an extension for FY 1987 is $121.5 million. This includes $114.0 million cash weekly benefit payments, $5.4 million for related State administrative costs, and $2.1 million for the Federal expenses of continuing the petition investigation process and administering the program. These additional funds cover 3 different appropriations. Job search, relocation, and training would cost another $26 million and an additional $3.9 million for related administrative cost.

JOB TRAINING CUTS IN RURAL AREAS

Question: Congress purposely put allocation formulas in the authorizing statutes in order to insure that job training programs served the unemployed in all areas of the country. Now you are proposing to wipe out these statutory allocation formulas through appropriations bill language, apparently to further concentrate resources in urban areas. Can you tell us the percentage cutbacks that rural areas would face if Congress adopted your "targeting" plan for Summer Youth Jobs and Dislocated Worker Assistance?

Answer: The specifics of a proposed Summer program formula have not yet been worked out. Therefore, we have no data on the percentage of cutbacks that would occur in rural areas under the targeting provisions. The summer youth funds will be directed to areas of greatest youth employment problems and, in particular, to inner-city minority youth. This approach would better serve those youth most in need of the services provided by the summer youth program. The extent to which rural areas with high unemployment will continue to operate programs is not known.

For dislocated workers, we propose to allocate the available funds to meet needs of workers where retraining or other services under Title III are most needed. Also, needs arising as the result of natural disasters, agricultural dislocation, and other situations would be addressed. We believe that many of the needs that will arise for dislocated worker assistance next year will be in rural areas. Recognizing that measures must be taken to address the Federal deficit, the Department believes that the improved targeting of fewer funds will be a positive step, and that rural areas will not be unduly penalized.

Question: What percentage of your proposed Job Corps cuts would be in rural areas?

Answer: We are not yet in a position to provide you with a specific percentage. We currently are developing criteria to assess Job Corps centers in terms of cost, performance and other factors and gathering information and analyzing data to ensure that decisions on center closings are based on the most objective and fair considerations possible. Our major objective is to retain the most efficient and cost effective centers while ensuring that centers provide the best possible learning environment and are distributed geographically in a manner that maximizes equitable access for poverty youth, including those from rural areas.

Question: What portion of unemployed residents in rural areas are currently being served by Job Training Partnership Act programs?

Answer: Data have not been developed which would provide a comparison of the number of eligible individuals being served to total eligibles in the rural area. It is unlikely that such data could be developed in a manner which would provide such a comparison because it would require that the data be developed according to the geographic areas served by each JTPA service delivery area, which often includes urban and rural areas.

Question: Do you want to encourage the migration of unemployed persons from rural to urban areas?

Answer: No. It is not the intent of the Department of Labor to encourage the migration of unemployed persons. Further, we do not believe that policies recommended by the Department will in fact result in the migration of unemployed persons. That is why we provide job search allowances only to those looking for jobs outside their regular commuting area and pay moving costs for the unemployed who find such jobs.

DISTRIBUTION OF SUMMER AND DISLOCATED WORKERS FUNDS

Question: Don't you think such a major change in the authorizing statute should be directed to the Human Resources Committee?

Answer: The Department does believe that the authorizing committees should be concerned with the effect of the distribution formulas, and we will continue to work closely with them. However, the appropriation language we are requesting is closely tied to the financing we are requesting. When it is necessary to provide relatively limited amounts of financing, the Department believes that

the appropriation language should help ensure accomplishment of the basic intent of the authorizing statute to provide training and employment services to those in need. We thus believe that the language we are requesting is proper for inclusion in an appropriations bill.

ONE-TIME SUPPLEMENTAL FOR DISLOCATED WORKERS

Question: You are proposing a $74 million supplemental to expand the Dislocated Worker Program from 72,500 average enrollments to 85,500, only to propose cutting back to 53,100 enrollees in Program Year 1987. How much would have to be added to the Fiscal 1987 budget to keep average enrollments at the 85,500 level?

Answer: The estimated PY 1987 cost of supporting an additional 32,400 average annual enrollments above the budgeted level of 53,100 is $96.2 million. Because of the historically low expenditure rates experienced in this program, only slightly more than half of the increased funding could be expected to be expended during PY 1987, thereby delaying the provision of the desired enrollment augmentation until a later program year.

ABOLISHING WORK INCENTIVE PROGRAM

Question: My home State of Connecticut recently launched a demonstration program to get more welfare recipients into permanent jobs, utilizing Federal Work Incentive Program appropriations as the springboard for greater State involvement. Why should Congress go along with your proposal to rescind enacted WIN appropriations, forcing the immediate termination of hundreds of thousands of welfare clients now being served?

Answer: The Administration's FY 1987 budget includes legislation to provide States with the flexibility to design the type of program that will best serve their welfare recipients. This Work Opportunities Initiative was also proposed for FY 1986 and is now awaiting action by Congress. That program would be available to welfare recipients now served by WIN. In both 1986 and 1987, the Administration will continue to finance training and job related activities under the Job Training Partnership Act (JTPA) block grant ($1.8 billion), which is required by law to serve AFDC recipients. Should a State choose to provide education and training beyond JTPA for welfare recipients, funding could come from State funds or other funds provided for education under existing programs.

The Administration's proposal also requires that child care be available in order to require participation. States can use AFDC (title IV-A) funds for this purpose or (Title XX) Social Service Block Grant funds ($2.7 billion), and/or supplemental State/county funds, contracting with public and private child care providers, operating child care centers which employ participants as aides, self-help groups and informal arrangements by recipients.

Question: If Congress were to enact your proposed mandatory "workfare" legislation, don't you think the States would simply rehire many of the same WIN staff who have the expertise in helping welfare recipients obtain jobs?

Answer: It is the States' prerogative to hire the necessary

staff they feel would have the expertise to help welfare recipients obtain jobs. However, the primary issue is not whether States would "rehire" the existing WIN staff, but whether the State will have the flexibility to establish and maintain innovative programs serving the welfare population. The regular WIN program does not give States that needed flexibility; the Administration's work opportunities legislation would.

Question: Wouldn't it be less disruptive to keep the Work Incentive Program alive until we see whether Congress enacts a replacement program?

Answer: If Congress approves the Work Opportunities Initiative, it is anticipated that it would be available in early Fiscal Year 1987. Other programs would be available to help in the transitional phase until the new program is in effect, for example, the Job Training Partnership Act and other programs under the Social Service Block Grant. The Administration's FY 1987 budget includes legislation to provide States with the flexibility to design the type of program that will best serve their welfare recipients. This Work Opportunities Initiative was also proposed for FY 1986 and is now awaiting action by Congress. That program would be available to welfare recipients now served by WIN. In both 1986 and 1987, the Administration will continue to finance training and job related activities under the Job Training Partnership Act (JTPA) block grant ($1.8 billion), which is required by law to serve AFDC recipients. Should a State choose to provide education and training beyond JTPA for welfare recipients, funding could come from State funds or other funds provided for education under existing programs.

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The real issue, however, is that numerous evaluations of WIN over the years have shown that the program is ineffective. A recent GAO study estimated that taxpayers got back only 25 cents for each dollar spent in the program. Given the alternatives available and WIN's dismal track record the administration sees no justification for continuing this ineffective program.

Question: What good does it do to "save" $220 million by abolishing the WIN Program, when the States report that welfare costs would go up by double this amount?

Answer: The Department is not familar with the State reports cited in the question. According to the Office of Family Assistance, HHS, the proposed Work Opportunities Initiative (WOI), by itself, would provide the following savings its first year:

(Dollars in millions)

	Costs	Reduced Welfare Grants	Net Savings
Federal Funds	$200	$252	$ 52
State Match	200	217	17
Total	$400	$469	$ 69

In addition, numerous evaluations of WIN over the years have shown the program is ineffective. GAO estimated in one study that taxpayers get back only 25 cents for each dollar spent in the program. Given the alternatives available for serving welfare recipients and WIN's dismal record, the Administration sees no justification for continuing this ineffective program.

ELIMINATING STATE ALLOCATIONS

Question: Your budget proposes to give the Secretary total discretion in allocating all funds appropriated for Summer Youth Jobs and Dislocated Worker Assistance. Doesn't this undercut the intent of the authorizing statute that most of the funds be distributed by a prescribed formula to all areas of the country?

Answer: The basic intent of the Job Training Partnership Act is to provide training and employment assistance to those in need. When it is necessary to provide relatively limited amounts of financing for these programs, the Department believes that the appropriation language should help ensure that the basic intent of the authorizing initiative is carried out by making the limited financing available where it can meet the greatest need.

In the summer program, distributing the amounts requested by the current statutory formula would grossly underfund the areas where those most in need of summer jobs live, while distributing large amounts among areas which have not been able to use their allocations effectively. The Department intends to work closely with the authorizing committees to change the Summer Youth allocation formula.

The proposed Title III appropriation language will permit the Secretary to target the reduced funding requested to those areas with the most severe displacements. A formula funded program as provided in JTPA may be appropriate at higher levels of funding; however, at the level requested, we believe a formula funded program distributing funds to all States is not the most effective use of these resources.

Question: Why shouldn't such a major change in the intent of the Job Training Partnership Act be addressed to the authorizing Committees?

Answer: The Department agrees that the authorizing committees should be concerned with the effect of the distribution formulas, and we will continue to work closely with them. However, the appropriation language requested is closely tied to the financing requested and thus is, we believe, proper for inclusion in an appropriation bill.

Question: What is to prevent politics from coming into play--particularly in an election year--in giving any Administration such a massive discretionary power?

Answer: With respect to Title III, the Department expects to use the same procedures or ones similar to those currently in use for distributing the Secretary's discretionary Title III funds. We feel that these procedures have been fair and have not involved political considerations. We believe the same procedures and processes can be used in the summer program.

While the proposed revisions allow the Department a degree of flexibility in targeting FY 1987 appropriations to areas of greatest need, we do not believe they give the Department unlimited discretionary authority. We will consult with the Congress as we develop more information on the revised allocation process to be sure we eliminate even the hint that the Department or Congress has any interest in politicizing the resource allocation process.

Question: Do you intend to publish clear and precise criteria for allocation of these funds to avoid inevitable charges of political favoritism?

Answer: The Department intends to work with the appropriate committees as we develop more information on the revised allocation for Title IIB to provide for the desired targeting of funds.

With regard to Title III, as is our normal practice for national reserve funds, application procedures and award criteria will be issued to all States prior to the beginning of the new program year.

JOB CORPS CAPACITY REDUCTION

Question: Your budget indicates you plan to start closing Job Corps in May--just 3 months from now. How can you do this in advance of Congressional approval?

Answer: Our plan, based on our rescission request, would curtail enrollment beginning in May, with center closures beginning in July. Since Congressional action on the rescission will take place prior to May, we are not planning any reductions until Congress has acted on the Fiscal Year 1986 rescission request.

Question: Can you absolutely assure me that you will not begin cutting the Job Corps program in half unless Congress approves your rescission request?

Answer: Yes, I assure you that we will not start cutting the program by curtailing enrollment or closing centers until Congress takes action on the rescission request.

Question: Will you also assure me that you will do nothing to curtail recruitment of new Job Corps enrollees, so that the current level of 40,500 enrollments will be maintained?

Answer: We intend to continue recruitment and maintain center capacity at current levels until the rescission request has been acted upon.

JOB CORPS DEMONSTRATION PROJECTS

Question: Your proposal to cut Job Corps enrollments in half is coupled with a plan to start a number of pilot and demonstration projects. What pilot and demonstration activities do you have in mind, and how much do you plan to spend?

Answer: We will be implementing a number of pilot and demonstration projects including the use of computer assisted instruction at Job Corps Centers, programs to improve the communication skills of corpsmembers, substance abuse prevention and reduction, and provision of services to handicapped enrollees. In addition, we intend to test innovative approaches in program design, serving non-residential corpsmembers, developing more private sector and Federal program linkages, and improving the capacity utilization of existing center facilities. We intend to use approximately $12 million for these pilot and demonstration projects.

REDUCING JOB CORPS COSTS

Question: Can you give us examples of how you might reduce Job Corps costs without sacrificing the quality of services?

Answer: We are exploring a number of approaches to reduce costs while improving outcomes. An example of such an approach is to better utilize center facilities by scheduling classes in late afternoon and evening hours, which would allow us to accommodate a larger number of corpsmembers at one center on a staggered shift basis or provide training for displaced workers and Title IIA programs during a second shift. Another example is to develop linkages for jointly funded programs.

We are also pilot testing incentive-type contracts for operation of several Job Corps centers. The aim of these pilot tests is to determine if cost savings can be achieved and performance improved. If the results are positive, these contracts will be implemented at other Job Corps centers.

The Job Corps could also reduce costs without sacrificing quality of services if we were able to competitively bid some or all of the operations at the Federally run Job Corps Centers. Costs at these centers are substantially above those at privately contracted centers. The General Provisions section of the Labor-HHS-Education Appropriation Act prohibits us from subjecting these centers to such cost tests in FY 1986.

JOB CORPS DEMONSTRATION PROJECTS

Question: Do you plan to go ahead with Job Corps pilot and demonstration projects even if Congress rejects the proposed overall budget cut?

Answer: Yes. We feel it is essential to take positive steps to improve the overall efficiency and cost effectiveness of the Job Corps program. The best way to do that is through the implementation and testing of innovative approaches, with subsequent adaptation of those techniques which improve performance outcomes and reduce costs throughout Job Corps.

STATE DATA ON DISLOCATED WORKER EXPENDITURES

Question: On December 14, 1985, Senator Proxmire and I, joined by 5 members of the Human Resources Committee, sent you a letter requesting data on actual State-by-State expenditures under the Dislocated Worker Assistance program. I received your reply on January 31, 1986, but in all due respect, it did not contain the information we needed to determine if any States will indeed be facing cutbacks in services for the program year beginning July 1, 1986. When do you expect to have this information for the Committee?

Answer: Our letter of January 17 contained information you requested that is collected routinely by the Department. We provided, by year, on a State-by-State basis, Federal formula and discretionary obligations figures, total expenditures, and total unexpended balances as of June 30, 1985. You also requested a State-by-State breakout of unexpended formula funds only and information on State level obligations in Program Year 1985. These latter two items necessitated a special reporting request to the States. The data have now been received and compiled and are being provided to you.

Question: Is this a case of OMB clamping down on the data you are allowed to collect from the states?

Answer: No. OMB provided prompt clearance on this special request to the States.

DISLOCATED WORKER STATE FUNDING LEVELS

Question: Do you know of any States right now that appear to be facing major cutbacks in their Dislocated Worker programs?

Answer: There are no States that have indicated that they are experiencing serious cutbacks in their Dislocated Worker programs in the current Program Year (PY) 1985. With reference to PY 1986, precise information on individual States will not be available until carryover figures for PY 1985 are reported after the completion of the program year on June 30, 1986. We estimate, however, that the combination of carryover funds (currently estimated at $210 million) and PY 1986 formula allotments will permit most States to continue their programs at current levels. The Department is committed to giving special consideration to discretionary proposals from those few States with relatively high expenditure levels and, therefore, more limited carryover.

WELFARE REFORM

Question: What role will you play in the President's announced plan to complete a study of the welfare system by December 1986?

Answer: The Department of Labor is participating in the White House working group that is studying possible changes in the welfare system and the impact welfare has had on the stability of poor families. This group, headed by Charles D. Hobbs, a White House staffer, is currently developing a framework for the study. Michael Baroody, Assistant Secretary for Policy, is serving as the Department's representative.

Question: Do you agree that activities of your Department under the Job Training Partnership Act and Employment Service operations should be a key component of any plan to make welfare recipients economically self-sufficient?

Answer: Indeed, the Job Training Partnership Act (JTPA) and the Employment Service (ES) can be the means for many welfare recipients to become economically self-sufficient. AFDC recipients are a priority group under JTPA, a program that has demonstrated its ability to move people from the welfare rolls to the job rolls. Approximately 40 percent of JTPA, Title IIA, enrollees are welfare recipients. Those welfare recipients who complete and enter employment receive an average hourly wage of $4.50. Similarly, the Employment Service placed 158,888 welfare recipients during the most recent program year.

INVESTING IN HUMAN CAPITAL

Question: Secretary Brock, you have long been known for your efforts to make American businesses more productive, so they can better compete in the world economy, and further expand job opportunities in the United States.

Don't you agree that it is important to invest in our human capital — the education and training of our workforce — if we are to increase productivity?

Answer: Human capital development is critical if the American economy is to experience increased productivity and competitiveness. Our first priority, therefore, is to maintain incentives for private individuals and firms to continue their investments in education and training. Second, the overwhelming majority of funding for education and training is provided by individuals and firms deciding where best to allocate their own time and money.

Question: How does this square with the Administration's budget proposals to cut hundreds of millions of dollars from federally funded basic education and job training programs for our disadvantaged citizens?

Answer: The proposed budget includes a number of changes, primarily to reorder our resources to focus on those most in need of assistance, and to meet deficit reduction targets. This administration's commitment to basic education and job training programs should not be measured by dollars spent but by results. We replaced wasteful, make-work program like CETA with JTPA, a program geared to meeting the job requirements of the private sector. We have done and will continue to do more with less.

Raise the Minimum Wage

Question: It has been more than 5 years since the minimum wage was set at $3.35 an hour. Since then, inflation has gone up 25 percent.

Isn't it time to start talking about raising the minimum wage for adults, instead of lowering the minimum wage for youth?

Answer: The fact that the minimum wage has not been increased in 5 years does not imply that wages have not increased. Data from

the Current Population Survey (CPS) show 2.9 million workers 20 and over earning the minimum wage during the fourth quarter of 1982 (of 81 million reporting earnings). During the fourth quarter of 1985, 2.5 million workers 20 and over were earning the minimum wage (of a much larger 91 million reporting earnings). In fact even with the large growth in employment, there has been a decline in the number of adults in all earnings categories below $6.00 per hour and an increase in all categories above $6.00. As the skill levels of these low wage workers increase they are able to move up the wage ladder.

We believe that increasing the minimum wage is counterproductive. Studies have consistently shown that increases in the minimum wage lead to reduced employment. It is more important for persons to have jobs paying $3.35 an hour with the opportunity to develop their skills than to be unemployed and looking for work at some higher minimum wage.

WORKERS BELOW POVERTY THRESHOLD

Question: How many workers do you estimate still live below the government's official threshold of poverty?

Answer: According to the Census Bureau, in 1984, 9.1 million persons 15 and over who worked at some time during the year were below the poverty level. This classification is based solely on money income and does not reflect the fact that many low-income persons receive noncash benefits such as food stamps, Medicaid, and public housing. The poverty threshold for a family of four was $10,609 in 1984.

Subminimum Wage Won't Help Minority Youth

Question: In the late 1970's, the Manpower Demonstration Research Corporation (MRDC) offered to pay employees 50 percent, 75 percent, or 100 percent of the minimum wage, if they would hire disadvantaged youth. Of more than 2,000 companies surveyed, 82 percent refused to hire disadvantaged youth, even when offered 100 percent of the minimum wage.

Can you dispute the accuracy of the MDRC experiment?

Answer: We do not dispute the accuracy of the data cited above, but would like to present it in context. The data come from a survey of firms in Baltimore and Detroit conducted in August and September of 1980. The estimates of expected employer cooperation may be low due to several factors: 1) the experiment and accompanying survey were conducted near the end of the Youth Entitlement Demonstration Project when the remaining period of employment to be subsidized was very short, and thus less attractive to employers, 2) firms which had already participated in the program were not contacted, and 3) 1980 was a period of economic decline, particularly in Detroit. The final report states that these factors "probably make the findings reported here somewhat of an understatement of business participation rates."

Question: How would your Youth Opportunity Wage proposal have an impact on hiring disadvantaged youth, when it offers only a 25 percent subsidy?

Answer: The YEOW proposal does not deal in subsidies. It simply permits employers to hire youth at a wage as low as $2.50 per hour. Thus employers do not have to deal with a government bureaucracy in order to hire youth at a lower wage.

Assuming the findings of the MDRC experiment are accurate (and we believe they might be biased towards the low side, as noted in the answer to the previous question), YEOW would result in the hiring of a significant number of disadvantaged youth (in addition to other youth). According to the survey the employer participation rate would be 18.2 percent at 100 percent subsidy, 10.0 percent at 75 percent subsidy and 4.7 percent at 50 percent subsidy. Extrapolating the data to a 25 percent subsidy suggests participation of perhaps 2 percent of employers. The MRDC study found that the average firm sponsored one to two persons, and that over two-thirds of participating firms were small businesses employing fewer than 10 regular workers. According to County Business Patterns (Department of Commerce) there are approximately 3.5 million firms with fewer than 11 employees and 1.5 million firms with 11 or more employees. If a 25 percent youth differential encouraged 2 percent of these firms to hire 1 disadvantaged youth, this would result in 100,000 jobs.

WORK AND FAMILY LIFE

Question: In April, you are sponsoring a national conference on "Work and Family Life."

Who do you expect to attend this conference?

Answer: This conference, co-sponsored with the Bureau of National Affairs in cooperation with the AFL-CIO and the National Association of Manufacturers, is expected to draw an audience of at least 400 management, labor and government officials plus representatives of numerous academic, consulting and advocacy organizations concerned about the interrelationship of work and family life.

Question: What topics will be discussed?

Answer: The conference presentations (speeches and panel discussions) will (1) examine recent changes in family structure and labor force composition that have given rise to conflicts between employment obligations and family responsibilities especially as these concern working parents; and (2) describe, with specific case-study illustrations, how these problems are being addressed by employers, unions and governments through policies dealing with issues such as maternity and parental leave, child care assistance and alternative work schedules.

Question: Do you expect to follow-up with specific administrative actions and legislative recommendations?

Answer: While no legislative recommendations are envisioned at this time, this national conference is likely to be followed up by related meetings on a regional and local basis and the production and publication of information for dissemination throughout the industrial relations community that might en-

courage and assist employers, unions and other organizations to adopt new policies and programs designed to better enable workers to reconcile their employment and family responsibilities.

GAO REPORT

Question: Last year, Secretary Brock moved rapidly in responding to a GAO Report which recommended strengthening direction over the Labor Department.

What specific actions have been taken to improve long-range planning?

Answer: The Secretary has instituted major reforms to deal with the issue of long-range planning. First, the Secretary instituted in January his Management System. This system explicitly identifies three primary goals of the Secretary from which agencies identified supporting goals. Together, the system defines approximately 35 areas that define top priorities of the Department for the next 1-3 years. Finally, specific milestones were crafted identifying who will take what action, by when. Each quarter there will be a review of progress to assess any obstacles that may have arisen and allow for mid-course corrections should that be needed. Annually, on a fiscal year cycle, the Secretary will revisit and revise these goals and strategies as necessary.

Question: Is there a separate unit set up to monitor progress toward goals and objectivities, and is it adequately staffed?

Answer: In order to monitor the progress of the goals and objectives, the Secretary has restructured the Office of the Under Secretary to continuously track the progress of his goals and identify potential problems. Specifically, two Associate Under Secretary positions have been established with their primary function being to facilitate management communication between the Office of the Department. Staff support, if needed, is provided by the Assistant Secretary for Management and the Assistant Secretary for Policy.

Finally, the Secretary has issued a Secretary's Order changing the point of contact for the GAO from the Inspector General to the Office of the Secretary. This last action should assist the Secretary in identifying more quickly potential management problems and enable him to deal with them expeditiously.

MAINTAINING STATE-BY-STATE DISLOCATED WORKER SERVICES

Question: Congress cut the appropriations for Dislocated Worker Assistance from $222 million in Fiscal 1985 down to $100 million in Fiscal 1986, based on the Administration's contention that sufficient unspent funds would be available to maintain current service levels. Are existing appropriations indeed sufficient to maintain current levels of service in all States throughout Program Year 1986?

Answer: It is estimated that approximately $210 million in unexpended prior year funds will be available in Program Year 1986. With the $96 million available for PY 1986, we believe sufficient funding is available to maintain current levels of service in most

States. Further, the Department is committed to giving special consideration in Program Year 1986 to proposals funded with Title III discretionary funds from those few States which expended large amounts of prior year funds and will be unable to maintain prior program levels.

DISLOCATED WORKER ASSISTANCE SUPPLEMENTAL

Question: If we gave you complete discretionary authority to allocate your requested supplemental of $74 million, where would the resources be concentrated?

Answer: Funds would be distributed at the Secretary's discretion based on proposals submitted by the States. Resources would be concentrated in programs to assist trade-impacted and other dislocated workers. Geographical distribution would be expected to be quite broad, based on past experience. However, we cannot at this time predict where major worker dislocations may occur next year.

DISTRIBUTION OF SUMMER AND DISLOCATED WORKER FUNDS

Question: It appears you are proposing a major shift in power from the States back to Washington under the Job Training Partnership Act. Specifically, you ask that the Secretary of Labor be given total discretion over distribution of Summer Youth Jobs and Dislocated Worker Assistance, abolishing the existing State allocation formulas. At the same time, your budget would cut State block grant funds while doubling the amount available for National Office Demonstration Projects. If these allocation formulas are not changed, would you still recommend the major cutbacks in summer jobs for disadvantaged youth and retraining of dislocated workers?

Answer: We are recommending targeting funds for the Summer Youth Employment and Training Program (SYETP) to areas with high concentrations of economically disadvantaged youth. The factors in the current formula are not specifically sensitive to areas with high concentrations of disadvantaged youth. Therefore, disproportionate shares of the funds are disbursed to suburban and rural areas, rather than to the large urban areas that have the greatest need for the program.

Targeting of reduced SYETP funds to areas with high concentrations of disadvantaged youth also will increase the utilization of funds, and reduce the amount of unexpended resources carried over at the end of the year.

Likewise, Title III programs have experienced an underexpenditure of funds. Targeting available resources to those areas with the highest concentration of affected workers, and to areas making innovative use of program funds, will increase utilization and provide improved services.

TEENAGE UNEMPLOYMENT

Question: Every year, an estimated one million American teenagers leave school without graduating, with drop-out rates reaching 50% in many large cities. Why is it that neither job training programs nor improved economic conditions seem to have much impact on teenage unemployment?

Answer: Youth joblessness is concentrated, by and large, among a small group who lack work for extended periods of time. Over half of male youth unemployment, for example, is concentrated among those who are out of work for over six months, a group constituting less than 10 percent of the youth labor force and only 7 percent of the youth population. The relatively small group of youth who are chronically without work have distinct characteristics. They are disproportionately black; disproportionately high school dropouts, and disproportionately residents of poverty areas.

In general, youth unemployment is responsive to the direction of the overall economy. In individual years, or even over an extended period of years, other factors, such as increasing numbers of youth or increasing percentages of youth who want to work, may predominate over macroeconomic effects such that the youth unemployment rate and overall unemployment rate move in opposite directions. Still, even for inner-city youth, a strong economy is a crucial factor in increasing chances of employment.

Job training programs do serve a substantial number of youth. In the last program year, almost 400,000 youth participated in the title II-A programs, and some 52 percent of the youth terminees found jobs while an additional 10 percent returned to school, joined the military, or had some other positive outcome. However, even though these results are encouraging, many inner-city youth who are chronically unemployed have a combination of serious educational, employment, and family-related problems which call for broad, coordinated remediation efforts beyond the scope of JTPA. We are working with the Department of Education and other Federal agencies to coordinate services so that a broader range of assistance can be provided to youth.

Question: What new directions might you suggest to make better use of Job Training Partnership Act appropriations to serve disadvantaged youth?

Answer: The Department's FY 1987 Budget includes several proposals designed to enhance the effectiveness of the Summer Y uth Employment and Training Program. First, we propose to target SYETP funds to areas with the highest concentrations of disadvantaged youth. We have proposed to replace the current formula with a procedure that will accomplish this. Second, we have proposed to enrich the Summer Youth Program experience of those who participate by adding literacy training for youths with identified academic deficiencies.

In supporting the Secretary's goals for FY 1986, the Employment and Training Administration has established a supporting goal of increasing "the capability of the job training system to increase services to youth and provide literacy training for economically disadvantaged youth -- particularly school dropouts -- to enable them to more successfully enter and maintain gainful employment in current and future labor markets." To carry out this supporting goal, the Employment and Training Administration is undertaking a number of initiatives in coordination with other Federal agencies and the private sector. These include interagency agreements on coordination of services, joint technical assistance, joint demonstration projects, and an interagency work group to address the problem of

youth unemployment. We also intend to hold regional or national conferences at which representatives of government, the private sector, academic experts and others can get together to discuss problems such as youth unemployment.

Questions Submitted by Senator Mark O. Hatfield

OVERPAYMENT INTO THE EMPLOYMENT SECURITY FUND

Question: In the process of collecting FUTA taxes for the Employment Security Fund, the Internal Revenue Service has claimed that $1 billion was overpaid into this fund in calendar year 1984. Consequently, the IRS has said that they were going to remove the $1 billion from the Employment Security Fund and pay this money into the federal general fund where it should have gone in the first place. Has there ever been an audit of this situation to determine whether or not an overpayment really occurred?

Answer: In 1984, unusually large amounts of employer tax deposits, mostly for FICA and individual income tax withholding, were misclassified as FUTA receipts, and it appears this problem may have continued in 1985. Receipts that are initially misclassified are later reclassified into the proper tax category, based on annual tax returns or other documentation. It is likely that almost all of the 1984 misclassified receipts already have been reclassified.

No special audit has been done to verify the amount of 1984 misclassifications; however Internal Revenue Service internal audit staff do perform periodic reviews of their procedures, including the reclassification process, to identify and correct such problems.

STATUS OF OVERPAYMENT SITUATION

Question: What is the current status of this situation?

Answer: The Internal Revenue Service recently completed a study of a sample of 1984 misclassifications and concluded that the vast majority resulted from taxpayer error. The IRS has made adjustments in the tax deposit coupons and instructions in an effort to reduce taxpayer mistakes, but this may take some time to produce favorable results. In the meantime, the Treasury Department is studying alternate ways of reporting FUTA receipts in order to mitigate the misclassification problem.

SEQUESTRATION OF EXTENDED BENEFITS

Question: I have serious concerns with the sequestration of the federal share of Extended Benefits (EB) resulting from Gramm-Rudman-Hollings. Until now, half of EB outlays have been paid by IRS-collected FUTA taxes and half from individual State trust funds. Both funds are on-line in the federal unified budget. As the federal share goes down the State share goes up the same amount with the net effect being no reduction in the federal budget. Changes to State law are permitted to equal federal reductions but this would require a State law change. In Oregon and many other States, writing such a

change would raise State constitutionality questions unless the federal share could be accurately predicted. If the federal share of EB is reduced incrementally, the States will have an administrative nightmare such as occurred with the Federal Supplemental Compensation plan. This will waste resources and still leave the Department of Labor to dictate policy on a program which depletes State trust funds. It seems to me that the only way to realize a true savings is to abolish the federal EB program. (This seems feasible in light of the fact that Alaska is the only State currently qualifying for this program.) Individual States then could decide whether or not to have an additional benefits program and they also could determine the nature of such a program. In other words, would it not be better to either exempt the EB program from the proposed cuts or dissolve the program entirely since it currently benefits so few States? May I have your comments?

Answer: The Administration does not propose ending the EB program. We recognize that the Gramm-Rudman-Hollings reductions can pose legal and/or administrative difficulties for some States, due to the shared basis on which the program is funded; however, such reductions were required by Gramm-Rudman-Hollings.

The EB program is essentially a stand-by program, that is triggered on in individual States only when a State's insured unemployment rate has risen to statutorily set levels. Because of economic growth, insured unemployment rates are now much lower than at any time in the past few years. As a result only 2 States (Puerto Rico and Alaska) are now triggered on EB. In these States EB provides up to 10 weeks (Puerto Rico) and 13 weeks (Alaska) of additional benefits to those who have exhausted their eligibility under regular State-funded UI programs. This second tier protection for workers who have used up as many as 26 weeks of benefits under the regular UI program remains on the books and would become payable automatically in high unemployment States in the event of an economic downturn.

Questions Submitted by Senator William Proxmire

WORK INCENTIVE PROGRAM

Question: Once again this year the administration is recommending the termination of the Work Incentives Program (WIN) in favor of a workfare program. A recent article in the New York Times indicates that programs under which welfare recipients agree to work at public service jobs in return for their benefits are helping some recipients find private employment. The article cited a study made public by the Manpower Demonstration Research Corporation. Although the President at a recent press conference pointed to a successful Massachusetts program as an example of the kind of workfare effort he ran while Governor of California, it has been claimed that the two programs are very different. The New York Times article states that pre-1981 programs were considered failures and that they did not have such features of current programs as day care, transportation and sophisticated systems of searching for jobs. Of course the Massachusetts program evolved as an experiment under the AFDC and WIN programs. Will the funds for this kind of experiment continue to be there if the WIN program is abolished?

Answer: The Work Opportunities legislation being proposed by the Administration does not reestablish the WIN program. Instead, it establishes a new approach to work activities as part of the AFDC program, an approach which focuses on job search and mandatory participation in real work activities to enhance welfare recipients' employability and earnings.

Some States currently are operating, through their welfare agencies, job search or alternative work activities (under the WIN Demonstration or related AFDC authorities), many of which would be allowable under the Work Opportunities Initiative. The Administration believes that such allowable activities could and would be continued, in most cases, under the new initiative. Under the Administration's work proposal, States will be given flexibility in the design and operation of their work programs. States can choose from a number of employment-relatd activities, including Job Search, the Community Work Experience Program (CWEP), subsidized private employment, or a State-designed employment related program, as well as participation in Job Training Partnership Act (JTPA) training. During the past 3-4 years 39 States have adopted one or more of these work participation options.

Results from experimental projects assessed by the Manpower Demonstration Research Corporation (MDRC) in 11 sites are still largely preliminary and, as MDRC itself states, cannot be generalized to the rest of the country. Nevertheless, the preliminary results on a site-by-site basis seem to be encouraging. To date the MDRC studies suggest that, in general, work participation programs can be implemented effectively and good work experience provided which result in income gains and reductions in welfare dependency over what would have occurred in the absence of the program. MDRC's preliminary findings also seem to suggest that arranging for child care (either institutional day care or with family or friends) does not seem to be the barrier to program participation it was expected to be. So far, experimental sites have not been using the entire amounts set aside for day care centers.

JOB CORPS REDUCTION

Question: Mr. Secretary, last year's budget proposed the elimination of the Job Corps program. I understand that the Department has taken a second look and this year is recommending a reduction in the program to the pre-Carter level of 22,000 full-time training positions. Can you tell us why the Administration has dropped its plans to terminate the program?

Answer: In focusing efforts and developing plans to address the problem of youth unemployment, we examined the role Job Corps could play in improving the labor market potential of disadvantaged youth.

As a result of our recent assessment, we believe that Job Corps does have a role in our youth training and employment strategy. The high cost of the program, however, continues to be of concern. Our goal is to use the best of the Job Corps program, along with other programs, in developing an improved strategy to address the youth unemployment problem in the most cost effective manner possible.

JOB CORPS CENTER CONTRACTS

Question: A General Accounting Office report issued on October 21 of last year noted that the cost-plus-fixed-fee type of contract is the most disadvantageous type of contract to the government because it provides little incentive to contain costs, yet Job Corps Center contracts are being awarded on a cost-plus-fixed-fee basis. Have you considered alternatives to the cost-plus-fixed-fee approach in contracting for center operations?

Answer: We are pilot testing incentive-type contracts for operation of several Job Corps Centers. Our first cost-plus-award-fee contract was awarded October 1. Two more cost-plus-award-fee contracts and one cost-plus-incentive-fee contract for operations will be awarded this year. The results of the incentive contracts will be analyzed in terms of both cost and performance outcomes as compared to cost-plus-fixed-fee contracts. If the results from the pilot test incentive contracts indicate that we can obtain reduced costs and better performance, we will implement their use for other Job Corps Centers.

JOB CORPS CIVILIAN CONSERVATION CENTERS

Question: The same GAO report also pointed out that the cost of operating Civilian Conservation Job Corps Centers was particularly high. Of course these Centers are run by the Departments of Interior and Agriculture under interagency agreements. Have you considered awarding competitive contracts for the operation of these centers?

Answer: We have considered contracting out some aspects of the operation of civilian conservation centers, and in fact, started the planning process for this two years ago. However, language contained in the General Provisions section of the Labor/HHS appropriations for Fiscal Years 1985 and 1986 specifically prohibits the contracting out of civilian conservation center operations.

We request that the Fiscal Year 1987 appropriation not include this restriction against contracting out civilian conservation center operations so that we may proceed in this direction. One of the major benefits of analyzing the relative costs of direct and contract operations is to help these centers identify ways to reduce their overall operating costs. The flexibility to contract out all or portions of conservation center operations only where centers do not demonstrate competitive edges is essential to accomplish cost savings.

JTPA — YOUTH PROGRAMS

Question: As I understand it, under the Job Training Partnership Act, the Department of Labor requires service delivery areas to spend at least 40 percent of their funds on young people, is that correct?

Answer: That is correct. Section 203(b)(1) of the Act provides that 40 percent of the funds available to service delivery areas under Title II-A are to be expended for eligible youth.

Question: I further understand that a service delivery area can count youths not placed in jobs as "positive terminations" if they have attained certain employment competencies in accordance with a standard set by the Department. However, the Office of Management and Budget has rejected Labor's requests to collect data on youth employment competency systems. How can you enforce a standard for positive terminations without a systematic source of nationwide data on youth employment competency systems?

Answer: The Department of Labor has established a standard for "positive terminations" which includes the following factors: return to school for previous dropouts; placement in training other than that under Title II-A; referral to the military; attainment of a major level of education, such as elementary, junior or senior high school; and completion of program objectives for 14 and 15 year olds. The model for the "positive terminations" standards was developed from statistics which did not include the youth competency factor. Consequently, service delivery areas are not using a standard which includes any youth competency data. Currently, we do not formally collect information on youth competency attainment. Such information, however, is included in the new program reporting revisions which have been published for comment in the Federal Register and are currently under Office of Management and Budget review. We do currently receive some information on youth competency attainment through the Job Training Longitudinal Study and from the compliance review process.

JTPA -- HIGH SCHOOL DROP-OUTS

Question: I'd like to find out the extent to which the Job Training Partnership Act (JTPA) is reaching high school dropouts. As you know the unemployment rate for high school dropouts between the ages of 16 and 24 has been as high as 24 percent. On the other hand, the unemployment rate for high school graduates is around 10 percent. To what extent is the JTPA block grant program serving high school dropouts? Do you have any statistics on that segment of the population?

Answer: The Department is committed to serving the high school dropouts who experience such a high level of unemployment. Programs operated under JTPA are reaching a significant number of these youth both through the regular programs under Title II-A and under the exemplary youth programs authorized by Section 205 of the Act. During the most recently completed program year, 40 percent of JTPA participants had less than a high school education. Two-thirds of these were dropouts and one-third were still in school.

UNEMPLOYMENT INSURANCE BENEFITS

Question: In fiscal 1984 States paid out approximately $15 billion in unemployment benefits. Your Inspector General, in his latest report, said: "It is absolutely essential that the Department...have an effective control mechanism to assure the integrity of benefits to claimants." The IG's solution is a quality control system which would accurately identify and measure payment

errors so States could take corrective action. Is the Department currently working on such a system and, if so, when do you plan to implement it?

Answer: Yes. After extensive public consultations and comments from States, employers, and other interested parties, the Department is planning to implement a revised UI Quality Control program March 31, 1986. Initially this program will focus only on benefit overpayments while necessary pilot tests are conducted to expand the program to cover both underpayments (denied claims) and collection of employer taxes.

BLACK LUNG BACKLOG

Question: Mr. Secretary, according to the Department's annual report to the Congress addressing the administration of the Black Lung Benefits Act, your Task Force has developed a plan to reduce Black Lung hearings and appeals backlogs to acceptable levels by the end of fiscal year 1989. This means the backlog would continue at unacceptable levels until September 30, 1990. Isn't it possible to move more quickly to address this problem?

Answer: We are moving as quickly as is feasible to reduce the backlog while assuring that each case gets the fair hearing it deserves. The Task Force concluded that backlogs in the Black Lung program should be reduced to acceptable levels over a four year period through a combination of productivity improvements and additional resources. In studying ways to reduce the backlogs, the Task Force considered a number of options, some of which would have attempted to reduce the backlog at a faster rate. However, these options were rejected either due to the concern that the private sector bar handling these cases could not keep up with a caseload increase of such proportions or because they would have resulted in relatively small increments in case production at very high costs in comparison to the option chosen.

Question Submitted by Senator Daniel K. Inouye

NEEDS OF NATIVE SAMOANS

Question: During the Committee's hearings last year Senator Inouye asked your predecessor what plans your Department had for addressing the pressing employment and educational needs of our nation's American Samoans. The report which your Department submitted to this Committee indicated, for example, that the unemployment rate for Samoans in Hawaii was more than double the unemployment rate for the State as a whole. Following up on your report the Committee recently directed your Department and the Departments of Education and Health and Human Services to develop a coordinated and comprehensive response to addressing these pressing needs. Senator Inouye and I would like to know what progress has been made to date.

Answer: A Department of Labor representative recently met with staff of the Senate Appropriations Committee, other Congressional staff, and representatives of the Departments of Education and Health and Human Services, to discuss our agencies' response to the Committee's directives. Independently, we have been in contact with the Department of Health and Human Services and the Department of Education to discuss coordination of our efforts to serve American Samoans. We also have asked staff of our Regional office to meet with training and employment staff of the States where American Samoans reside, in order to obtain information on services to this group to provide to the Committee. Finally, our Regional Office staff will meet with regional staff of the Department of Health and Human Services to further coordinate efforts of the two agencies in serving the American Samoan population.

Question Submitted by Senator Lawton Chiles

LABOR RACKETEERING CLOSINGS

Question: I note with some concern that you intend to close offices in New Orleans and Los Angeles, reducing to 19 the number of IG offices investigating labor racketeering. Which offices will take up the work of the closed offices? How do you justify closing offices in these two cities? Won't resources be spread too thinly as a result of these closures?

Answer: As a result of continuous evaluation of our program based on a policy of allocating resources to those areas where we have identified the most flagrant organized crime-labor-management problems, we are closing the Los Angeles and New Orleans offices.

During 1986 we have closed Orlando, Tampa, San Juan, Syracuse, and Las Vegas -- all small offices with one or two agents. These offices have not provided a good return on investment and have had little impact on organized crime. Personnel from these offices have been transferred to major offices where intelligence has identified major organized crime influence in specific major industries, such as garment, construction and waterfront. Offices that have benefited from the closing of these smaller offices are Chicago, New York, Newark, Atlantic City, Philadelphia and Boston. Rather than maintain a fragmented, ineffective presence, we decided to consolidate our resources in offices with well defined labor racketeering programs.

A productivity analysis of our offices revealed that most one- and two-agent offices performed a symbolic function and provided minimal return to the OLR program. Consolidation of these offices into larger metropolitan areas actually promotes greater accomplishment. Given the limited resources projected for 1987 (101 FTEs), OLR management has decided to concentrate resources for maximum impact rather than fragment its program.

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EMPLOYMENT AND TRAINING ADMINISTRATION

STATEMENT OF HON. ROGER D. SEMERAD, ASSISTANT SECRETARY OF LABOR

ACCOMPANIED BY:

ROBERTS T. JONES, DEPUTY ASSISTANT SECRETARY
JANICE SAWYER, ADMINISTRATOR

PREPARED STATEMENT

Senator WEICKER. We will now turn to the Employment and Training Administration. Roger, why don't we put your entire statement in the record in its entirety, and maybe you would like to hit a few highlights, and then we will have a few questions. We also have a few questions for response to the record.

[The statement follows:]

Statement of Roger D. Semerad

Mr. Chairman, and Members of the Subcommittee, thank you for this opportunity to appear before you. The 1987 budget request which you have under consideration totals $6.3 billion and is comprised of $4.0 billion for training and employment programs, $2.1 billion for income maintenance programs, and $112.7 million for program administration. The 1987 request covers the program year July 1987 through June 1988 for programs authorized under the Job Training Partnership Act of 1982 including the Wagner-Peyser amendments, and Title V of the Older Americans Act. All other programs and accounts operate on a fiscal year funding basis. The budget includes a number of changes, primarily to reorder our resources to focus on those most in need of assistance, and to meet deficit reduction targets.

The 1987 budget is based on a revised 1986 request reflecting changes which would reduce Fiscal Year 1986 availability by $345.9 million. These changes include a supplemental 1986 appropriation for the Dislocated Worker Assistance program of $74 million, rescissions for the Summer Youth Employment and Training Program, Job Corps and several other Federally Administered programs totaling $416 million, and a reduction in the State Unemployment Insurance and Employment Service Operations account, which would decrease 1986 funding from the Unemployment Trust Fund for State Employment Service programs by $3.9 million. In addition to these changes, $275.5 million in reductions associated with the Balanced Budget and Emergency Deficit Control Act of 1985 are assumed for 1986 in these accounts.

Training and Employment Services

The 1987 budget request for the Training and Employment Services appropriation is $2.91 billion, a net decrease of $85.5 million from the revised 1986 level of $3.0 billion. The revised 1986 level reflects the proposed supplemental and rescission, as well as a reduction of $149.9 million in accordance with the provisions of the Balanced Budget and Emergency Deficit Control Act of 1985.

Approximately 2 million participants will be served by the 1987 request; 188,000 less than the 1986 programs. The request provides for two major activities: Grants to States ($2.35 billion) and Federally Administered programs ($561.6 million).

Three programs are funded within the Grants to States activity: the basic Block Grant training program; the Summer Youth Employment and Training program; and the Dislocated Worker Assistance program.

These three JTPA programs have had impressive achievements since they began in October 1983. Over 3.4 million persons have participated in these programs during the first 21 months of operation, with a large number placed in permanent jobs upon completion. The placement rate nationally is impressive, far exceeding our national standards. Approximately 64 percent of people leaving the Block Grant program were placed in jobs. A slightly higher percentage was reported under the Dislocated Worker Assistance program. The achievements are due in large part to the excellent partnership, especially with the private sector, evident throughout every level of the JTPA system.

The 1987 request for the Block Grant is $1.82 billion, an increase of $38 million over the revised 1986 level. Due to increased costs and fewer unexpended prior year funds available in 1987, there will be a slight decrease in the projected average annual enrollment level, from 333,000 to 319,000. Nevertheless, more than one million economically disadvantaged persons will be served by this program.

The 1987 request for the Summer Program, which will operate during the summer of 1988, is $428 million, the same as the revised 1986 request. It is anticipated that 414,300 economically disadvantaged youth will be served. We expect that a number of program design changes, including an option for local areas to provide increased literacy training for youth with academic deficiencies, will begin during the 1987 program. Beginning with the 1987 Summer Program financed with 1986 funds, we are proposing that all of the program's resources be distributed in a manner which will target funding to areas with the most severe youth unemployment problems.

The 1987 request for the Dislocated Worker Assistance program is $100 million, which will produce an estimated 53,100 average enrollment level, serving one quarter of a million persons during the year. The request includes appropriation bill language allowing the Secretary to distribute all Title III resources at his discretion, thereby focusing them on areas with the most severe displacement problems. The 1987 request continues the revised 1986 discretionary level resulting from the $74 million 1986 supplemental. The formula portion of the program would not be continued. However, more precise targeting allowed by the discretionary provisions will permit continued service to those communities with the most severe needs.

The request for Federally administered programs is $561.6 million, a net decrease of $52.8 million below the revised 1986 level of $614.4 million. Increases of $20.9 million and $10.6 million are requested for the Pilots and Demonstrations, and the Research and Evaluation programs, respectively. Most of the additional funds for these programs will be used to develop, study, and test innovative training approaches to assist dislocated workers and youth, particularly disadvantaged minority youngsters who have exceedingly high jobless rates. Increases totaling $4.2 million are also requested for the Native Americans, Migrant and Seasonal Farmworkers and Veterans' programs to provide funding at JTPA statutorily determined levels. Program decreases are reflected for the Job Corps and Trade Adjustment Assistance programs. A 1987 decrease of $64.3 million results from the completion of proposed 1986 program changes in the Job Corps to decrease costs and improve the program's effectiveness. The reforms are accompanied by a 1986 rescission of $196.5 million reflecting a decline in program capacity from 40,500 to 22,000, the level maintained prior to the Fiscal Year 1977 program expansion.

No funds are requested for retraining, job search, and relocation assistance under the Trade Act of 1974, which was extended by the 1986 continuing resolution. The revised JTPA Title III program can provide faster and better service to workers affected by imports.

Community Service Employment for Older Americans

The request for the Community Service Employment for Older Americans program is $326 million, a $14 million increase above 1986 operating levels. It is divided between two budget activities: National Programs at $254.3 million and State Programs at $71.7 million. Funding provided in 1987 will support activities during the program year beginning July 1, 1987 and will support an average enrollment level of 63,780.

State Unemployment Insurance and Employment Service Operations

For 1986, in addition to reflecting reductions required under P.L. 99-177 of $106.6 million, the request contains a proposal to reduce 1986 funding from the Unemployment Trust Fund for State Employment Service Operations by an additional $3.9 million. This reduction of State allotments is part of overall efforts to decrease expenditures to meet deficit reduction goals. When added to the reduction required by P.L. 99-177, this change would reduce grants for Program Year 1986 State allotments 3.0 percent below the allotments for Program Year 1985.

The 1987 request for State Unemployment Insurance and Employment Service Operations is $2.5 billion. These funds finance State administrative costs of unemployment insurance and employment service activities and are comprised of $2.5 billion in trust funds and $23.4 million in general revenue funds.

For unemployment insurance operations we are requesting $1.7 billion, which will support workloads anticipated under the projected total unemployment rate of 6.6 percent and insured unemployment rate of 2.6 percent. The basic funding rate for unemployment insurance will finance costs associated with workloads averaging 2.0 million claims per week nationally. Administrative costs associated with workloads above the base level will be financed from the contingency fund.

In addition to net mandatory increases of $99.5 million, we are requesting net additional funds of $44.5 million over the revised 1986 level. These increases will allow for more timely processing of workload, improve the quality of services, provide full year financing for the expanded Quality Control Program sample size and provide a total of $20.0 million for upgrading State automated systems for benefit payments and collection of taxes. The unemployment insurance contingency fund request includes $4.8 million to provide separate financing for amortization payments to five States that had independent retirement plans in their State Employment Service Agencies prior to 1980. This is the amount determined to be needed annually to amortize the Employment Service portion of the unfunded liability of these plans over a thirty year period.

The request for the Employment Service of $777.7 million is composed of $755.2 million in formula State allotments for Program Year 1987, and $22.5 million for National Activities. The $755.2 million in formula State allotments is a net increase of $1.0 million over the revised 1986 level of $754.2 million and includes an inflationary increase of $33.2 million offset by productivity savings of $32.2 million. The $22.5 million for National Activities reflects

adjustments for expected cost increases of $0.9 million and a program increase of $0.9 million to accommodate 1987 program requirements. The request includes no funds for the Targeted Jobs Tax Credit program which expired on December 31, 1985.

Advances to the Unemployment Trust Fund and Other Funds

A total of $413.0 million is being requested for this account to provide general revenue advances to the Black Lung Disability Trust Fund. Account balances in the Unemployment Trust Fund and the amount requested in 1987 for the Federal Unemployment Benefits and Allowances general fund appropriation account are expected to be sufficient for payment of benefits. The request for advances to the Black Lung Disability Trust Fund would be reduced by $221 million upon passage of proposed legislation providing increased receipts for the Fund.

The Black Lung Disability Trust Fund is administered by the Employment Standards Administration who can more fully explain the details of this request.

Federal Unemployment Benefits and Allowances

The Federal Unemployment Benefits and Allowances appropriation request is $4.0 million. The request is for unemployment benefits and for health and pension costs on behalf of individuals covered under the Redwood National Park Expansion amendments. The adjustment benefit provisions of the Trade Act of 1974, as amended, pertaining to unemployment benefits, expired December 19, 1985. Therefore, no funds are being requested.

Program Administration

The 1987 request for ETA's federal staffing requirements totals $112.7 million and 1,659 full-time equivalent (FTE) positions, a net increase of $4.0 million and a net decrease of 104 positions from the 1986 comparable level of $108.8 million and 1,763 FTE positions. The FTE reductions primarily reflect reduced staffing for Job Corps, completion of WIN closeout activities, reduced Trade Act activities and increased productivity throughout the agency.

The request includes a one-time $10.0 million increase for Unemployment Insurance Research and Training to provide for the expansion of alternative reemployment demonstration pilots which will test strategies aimed at expediting the return of the potentially long-term unemployed to work. The effects of sequestration required by the Balanced Budget and Emergency Deficit Control Act of 1985 are reflected within our request before you. ETA expects to accomplish the required reductions without a reduction-in-force or staff furloughs.

In 1987, the Unemployment Insurance Quality Control program, expansion of the Pilots and Demonstration and Research and Evaluation programs and the capacity reduction of the Job Corps program will be major priority areas. Staffing and resources for the Job Corps program have been reduced reflecting fewer contract centers.

This concludes my statement, Mr. Chairman. My staff and I will be happy to answer any questions you, or members of the Subcommittee, may have.

INTRODUCTION OF ASSOCIATES

Mr. SEMERAD. Thank you, Mr. Chairman.

I have with me Bob Jones, my Deputy, and Janice Sawyer, my Chief Budget Officer, and I have the rest of my cast of administrators to answer any detailed questions that may come up.

OPENING STATEMENT

Our request includes a proposal for both fiscal year 1986 and 1987. The request you have before you will permit us to continue to build on what we consider to be the remarkable success of JTPA. The funding for the block grant component of JTPA has increased slightly, and it serves over 1 million participants. Other requests involve some reductions of programs. We will continue to provide a wide array of services to those most in need.

The 1987 budget request totals $6.3 billion. It includes support for the Job Training Partnership Act, the Community Services Employment for Older Americans, the Unemployment Insurance System, the Employment Service, and Federal salaries and expenses. Our request also includes 1986 revisions reflecting reductions mandated by Gramm-Rudman-Hollings, and proposed changes to certain programs to establish levels consistent with our 1987 request.

With respect to training programs, the request involves a number of major changes to assure their continued effectiveness. We redesigned the Summer Youth Program to replace the current formula distribution of funds to all areas with a procedure that will target the funds to those areas with critical youth unemployment problems, generally large urban areas. This change will permit substantial savings while maintaining services in those areas with the greatest need.

A redesign of the dislocated worker program is also proposed to allow the Secretary to target funds on areas undergoing severe economic change and disruption. We are requesting an additional $74 million for dislocated workers in fiscal year 1986. These funds are to be distributed by the Secretary and used to assure adequate service to trade impacted and other dislocated workers.

While we are proposing a reduction in funding for the Job Corps, we are also making major efforts to improve the program and reduce its costs. Because we will retain the best and most efficient centers, and institute other improvements, the resulting Job Corps Program will more effectively utilize whatever budget resources we have available.

As the JTPA system matures, we need to provide the State and local areas the support to nurture, develop, and share the innovative ideas that are emerging from their efforts. To that end, we will continue our active role through a program of technical assistance.

Our request includes increases for pilot and demonstrations and for research and evaluation to test innovative models and approaches that States and SDA's typically cannot afford to undertake by themselves.

A major focus of our training programs, with our current resource constraints, must be on coordination and linkage with other public and

private agencies addressing similar programs. Some examples of how we are using our pilots and demonstrations, and research programs include Job Start, which is a program to test a nonresidential Job Corps type of service for dropouts in cooperation with the Ford Foundation, and other foundations, and STEP, a program to test combining Summer Jobs with remedial education to prevent dropouts. That is in cooperation with the Ford Foundation and HHS.

For Community Service Employment for Older Americans, the amount that we are requesting, $326 million, restores funding to the level provided in the 1986 appropriation prior to Gramm-Rudman-Hollings reductions. It will provide part-time employment for almost 90,000 low-income older workers.

For State unemployment insurance and Employment Service operations, the fiscal year 1987 budget request totals $2.5 billion. We believe more creative ways have to be found to speed up the return to work of unemployment insurance recipients as we are demonstrating in a new project in New Jersey. In calendar 1985, 3 out of every 10 claimants exhausted available benefits before finding jobs. Therefore, we are proposing a one-time increase in fiscal year 1987 in the "Program administration" account to continue to expand alternative reemployment demonstration pilots to foster more effective use of unemployment insurance resources.

Recognizing the increased costs experienced by the States, our request also includes increases for the unemployment insurance system to process estimated workloads, as well as to expand integrity activities. Our request is based on current employment service and unemployment insurance structures. The Administration is soliciting views of interested parties on options for improving the financing of unemployment insurance and employment service systems.

The fiscal year 1987 program administration request for ETA involves a net decrease of 104 positions for a total of 1,659, due to the Work Incentive Program close-out, reductions in trade activities, and Job Corps reductions. The reductions will be accomplished without RIF's or furloughs.

Mr. Chairman, my staff and I are happy to answer any questions that you and other members of the subcommittee may have.

Thank you very much.

LEGISLATIVE PROPOSALS

Senator WEICKER. Do we have your budget in terms of no change in present legislation?

In other words, many times the administration comes up here with proposals that rely on legislative change. We are not prepared to make any legislative change here. We are an appropriations committee, and not an authorizing committee. Is your budget presented in terms that make the assumption that there will be no legislative change, or does it make the assumption that there will be legislative changes?

Mr. SEMERAD. Well, Senator, we are proposing that there will be some changes to JTPA. I believe that in one or more of the cases, we sought appropriations language which would allow us quicker turnaround. Clearly, discussions are going on now with Senator Quayle regarding specific amendments that may be introduced, and we are trying to evaluate our positions on those, and where we think we need to do a better job in terms of the resources we have.

Senator WEICKER. Let me say it very succinctly, and this is not directed, Roger, toward you. I have consistently refused to have the appropriations vehicle used as a legislative vehicle, and there will be no change in that this year.

CLOSING OF JOB CORPS CENTERS

Your budget request, if enacted, would force the closing of about one-half of the Nation's 107 Job Corps centers. When will you be able to tell us precisely which centers will be closed?

Mr. SEMERAD. Mr. Chairman, we are in the process of defining the criteria that will be used for evaluating each of the centers. Clearly, we have a big range in the cost per slot. We don't yet have decisions on specific Job Corps centers. The criteria, the seven of them, have been identified: operational costs, capital outlay requirements, location of the centers versus need, performance effectiveness, quality and potential of the facility, leased versus owned facilities, and community support, and activities.

I think that all of those criteria have to be weighed into what I would like to see as a new initiative. You can call it Job Corps II. We have learned a lot of lessons over the years in Job Corps, and I would like to think that even though we have a substantial cut to the mathematical determination of 22,000 slots, the actual cut will be somewhat less. We are currently running 1.7 corpsmen through those slots now, and we think that we can increase that.

I would like to shoot for a target that provides for a more efficient operation, eliminating those high cost centers that for a variety of reasons don't yield the return on investment that is justified.

We are not in any way trying to close out Job Corps. We want to make it work better. I think that we all agree that the expense is high. From what we see in the press, and everything else, it is just too easy to dismiss Job Corps as too expensive. As the Secretary pointed out, we need to find ways to make those centers run better, to find different combinations of support, maybe residential and nonresidential.

We have learned a lot, and we need to implement those procedures better.

Senator WEICKER. Clearly, you are going to have to close some.

Mr. SEMERAD. Yes, sir.

Senator WEICKER. I would appreciate it if you would notify this committee as you come to your final thoughts. It might be very helpful if you let us know you final thoughts before your final action, and there might be some give and take.

PLACEMENT RATE OF BLOCK GRANT ENROLLEES

Your statistics indicate that two-thirds of enrollees in the job training block grant program have been successfully placed in jobs.

Are you concerned that there may be too much emphasis on enrolling individuals who are easiest to place, in order to make the statistics look good?

Mr. SEMERAD. Clearly, those programs are administered at the local level, with performance standards. There is a tendency to want to make sure that you reach your goals in your local community.

I think my answer to that is that we are looking at it to see whether or not our regulations are causing that distortion. Even of those easier to place, we are still within the population that the law was intended to assist. It is not like we are taking away from people in need. All of the participants are in need, and some of them are more prepared and easier to place.

It is the creaming issue. It is a troublesome issue. My position basically is, within that population of folks who need assistance, if we were to take away from those who have a chance to get into the economy, or a better chance to get into the economy, in order to reallocate resources and attention at the folks with the most difficult problems, our whole program effort, I think, would suffer in terms of getting workers into the economy. As we go down the road, the fact is, the economy needs these people. We need to move these people into the economy, not only for their sake, but for the sake of the business and the employers.

HANDICAPPED PROGRAMS

Senator WEICKER. This might be one of the areas that you might want to explore insofar as changing the performance standards vis-a-vis the handicapped.

I will repeat again, two-thirds—two-thirds—that is a staggering unemployment figure within a population.

Mr. SEMERAD. I will carry out the request you made of Secretary Brock. I will also tell you that my first special staff assignment in my office was targeted on the handicapped, and all of the handicapped programs. Responsibilities include meeting with all of the contractors, seeing what they are doing, seeing how they are doing, and examining whether there are other ways of coordinating with other agencies.

I recognize and share with you a great concern. I found organizations, really, that had not been talked to very much. We need to do a better job and see where the snags are.

We have had them all in the same room, around a table. We have meetings going on. That was my first special appointment, if you will, on my staff.

DISADVANTAGED YOUTH PROGRAMS

Senator WEICKER. The law requires local areas to spend at least 40 percent of their allotments on disadvantaged youth, yet this 40 percent requirement reportedly is not being met in many service delivery areas.

With teenage unemployment so high, why are localities having trouble meeting the statutory minimum spending for youth?

Mr. SEMERAD. I think that on average, Mr. Chairman, the number I saw was 39.9 percent. There have been a lot of questions on whether we should change that youth target. I guess, basically, with my particular background, I really resist the idea of changing the target because some people are not making it.

On an average, we are coming awfully close to it. We are investigating that whole thing. I have looked at the numbers for all the 50 States because I confess to you that the numbers get kind of tricky, in determining whether we are way off, or we are really close. I am trying to determine that. But I am disinclined to want to change that. If they are having difficulties, I want to see where the greatest difficulties are coming from, and I would like to see if we can't do something to change that. I don't know specifically the answer.

COST OF SUMMER YOUTH EMPLOYMENT PROGRAM

Senator WEICKER. Your budget indicates the cost of each Summer Youth Employment Program slot will increase from $984 this summer to $1,033 in future years.

Will this increase of $49 per slot be sufficient to provide an education component for all enrollees in the Summer Youth Program?

Mr. SEMERAD. Mr. Chairman, I don't know the answer on that. We do seek, as we discussed earlier, a change that encourages local communities to put the literacy component in there, and there have to be some additional costs.

The fact is that under the law now, communities can have this literacy component, which I favor. I find no resistance to this idea anywhere. What the cost of doing that is, whether you will reduce the number of slots because you have the educational component, I don't really know; but it will force some linkages that I would like to think, with the success of PIC's and everything else, could do two things. First of all, get more people involved in the process; and also maybe generate more private sector jobs for people who are going through the program.

I think that these are things, evolutionary things that we need to work out. This is where the impact is. I feel that the literacy aspect of it is really important because virtually all of these young people who qualify for the Summer Youth Program are behind in reading, or math, or vocational exploration, these kinds of things. Some communities are doing just great things already, and they can do it under the law, and they are finding it very successful.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions which I would appreciate responses to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

CLOSING JOB CORPS CENTERS

Question: Your budget request, if enacted, would force the closing of about half the nation's 107 Job Corps Centers. If you weren't facing a possible budget cut, are there any Job Corps centers that you will still recommend closing due to such factors as poor performance and unusually high cost?

Answer: After we have completed our analysis, it is possible that we may want to recommend closing centers which are high in cost, have inadequate facilities or other detrimental features, and increasing the capacity at centers which are more efficient, cost effective, or have better facilities.

PERFORMANCE STANDARDS

Question: Your statistics indicate that two-thirds of enrollees in the job training block grant program have been successfully placed in jobs. Are you concerned that there may be too much emphasis on enrolling individuals who are easiest to place, in order to make the placement statistics look good?

Answer: We believe the success of the JTPA system in the placement of individuals in jobs is the result of the focus of the system on performance. The performance standards structure, which the Secretary has implemented in accordance with the statute, provides for Governors to set standards for Service Delivery Areas and to reward or sanction those areas based on their performance against the standards. Importantly, the Department has provided a methodology for Governors to use in adjusting the standards in response to more difficult to serve participants or local economic circumstances. Given the fact that almost all States use this approach, disincentives for serving the harder to serve have been minimized. Data showing that well over 90 percent of those served are economically disadvantaged bear this out.

Question: Are you considering any changes in performance standards to encourage local programs to serve people with very hard-core employment problems -- including the handicapped?

Answer: The Department is not planning to change the basic structure of the performance standards process. It is continually seeking to improve the adjustment methodology and to provide Governors with assistance on adjusting the standards to account for serving the extremely disadvantaged. Service to the handicapped has been included in the methodology since the outset of the standards process. The Department is committed to the implementation of new and better measures for the system through the collection of new postprogram and youth competency data. As standards are set in the future for these new measures, adjustment models will be provided which continue to offset any disincentives for serving the extremely disadvantaged.

ABOLISHING WORK INCENTIVE PROGRAM

Question: Last year, the Work Incentive Program placed more than 350,000 welfare recipients in jobs--and States reported welfare savings more than double the program's cost. Won't eliminating the program be a step backward from the President's announced goal of trying to help more welfare recipients obtain economic self-sufficiency?

Answer: The proposed Work Opportunities Initiative that will replace the WIN Program is a comprehensive, effective approach to help welfare recipients become self-sufficient. It establishes a new approach to work activities as part of the AFDC program, an approach which focuses on job search and mandatory participation in real work activities to enhance welfare recipients' employability and earnings.

Some States currently are operating, through their welfare agencies, job search or alternative work activities (under the WIN Demonstration or related AFDC authorities), many of which would be allowable under the Work Opportunities Initiative. The Administration believes that such allowable activities could and would be continued, in most cases, under the new initiative. Under the Administration's work proposal, States will be given flexibility in the design and operation of their work programs. States can choose from a number of employment-related activities, including Job Search, the Community Work Experience Program (CWEP), subsidized private employment, or a State-designed employment related program, as well as participation in Job Training Partnership Act (JTPA) training. During the past 3-4 years 39 States have adopted one or more of these work participation options.

Results from experimental projects assessed by the Manpower Demonstration Research Corporation (MDRC) in 11 sites are still largely preliminary and, as MDRC itself states, cannot be generalized to the rest of the country. Nevertheless, the preliminary results on a site-by-site basis seem to be encouraging. To date the MDRC studies suggest that, in general, work participation programs can be implemented effectively and good work experience provided which result in income gains and reductions in welfare dependency over what would have occurred in the absence of the program. MDRC's preliminary findings also seem to suggest that arranging for child care (either institutional day care or with family or friends) does not seem to be the barrier to program participation it was expected to be. So far, experimental sites have not been using the entire amounts set aside for day care centers.

Question: My own State of Connecticut is in the process of using demonstration authority available under the Work Incentive Program to develop an even more successful effort to get AFDC clients into permanent jobs--as are at least 22 other States. What possible rationale is there to abandon this program?

Answer: In proposing that WIN be discontinued, the Administration would eliminate an ineffective and bureaucratically inflexible program but continue the authorities States find so attractive in WIN demonstrations.

Some States currently are operating, through their welfare agencies, job search or alternative work activities (under the WIN Demonstration or related AFDC authorities), many of which would be allowable under the Work Opportunities Initiative. The Administration believes that such allowable activities could and would be continued, in most cases, under the new initiative. Under the Administration's work proposal, States will be given flexibility in the design and operation of their work programs. States can choose from a number of employment-related activities including Job Search, the Community Work Experience Program (CWEP), subsidized private employment, or a State-designed employment related program, as well as participation in Job Training Partnership Act (JTPA) training. During the past 3-4 years 39 States have adopted one or more of these work participation options.

LABOR DEPARTMENT ROLE IN FEDERAL JOB TRAINING

Question: The Administration is proposing to expand the role of State Welfare Agencies in job training and placement activities. Does this mean the Labor Department's Employment and Training Administration will no longer play the central role in Federal/State manpower development activities? What plans do you have to re-assert leadership in Federal government job training initiatives?

Answer: The Administration's proposal to seek repeal of the Work Incentive Program (WIN) and institute a Work Opportunities Initiative certainly does not constitute an abdication of our role in the public/private job training partnership. Rather, this initiative simply recognizes the fact that the welfare population can best be served by the JTPA and the Social Services Block Grant administered by HHS. Forty percent of JTPA II-A participants are public assistance recipients, of which one-half are AFDC clients. Moreover, many States are forging creative links between welfare agencies and JTPA programs, and the Social Services Block Grant affords considerable flexibility for even more innovation to reduce dependency through manpower services.

Question: Can you tell us the results of any studies looking at duplication and overlap in the job training field between: State Vocational Rehabilitation Agencies; Social Security Administration/ disability rehabilitation activities; Community Action Agencies; Employment Services operations; Private Industry Council/Service Delivery Area programs; State Vocational Educational agencies; and private employment agencies?

Answer: We are not aware of any recent studies with a job training focus which examine this broad an array of agencies. The Employment and Training Administration has funded two recently completed studies which examine selected aspects of inter-agency coordination/duplication. The first study, by Westat, Incorporated, is "Implementation of the Job Training Partnership Act: Final Report"-November 1985. The second, by Macro Systems, Incorporated, is "Assessment of the Implementation and Effects of the JTPA Title V Wagner-Peyser Amendments"-December 1985, which reports on JTPA-Employment Service coordination. Lastly, the National Commission for Employment Policy has sponsored research on JTPA-education linkages

including a policy options report by James Darr, et al, entitled "Getting 100 Percent Results From the Eight Percent Education Set-Aside Under the Job Training Partnership Act"-April 1985.

MAGNITUDE OF DISLOCATED WORKER PROBLEM

Question: Congress' Office of Technology Assessment has just released a study indicating that between 1979 and 1984 11.5 million American workers lost their jobs because of plant closings, automation, and declining industrial output. This study shows that the Federal Dislocated Worker Assistance program serves only about 5 percent of the 3 million eligible workers, hardly making a dent in the magnitude of the problem. Isn't it time to consider the type of program passed by the Senate last year--but which got bogged down in conference on the reconciliation bill--to impose a small duty on imported goods and earmark the proceeds for assistance to workers losing jobs on account of trade?

Answer: The Administration opposes the proposed import duty because it removes a program financed in this manner from the control of the appropriations process and the duty, if unilaterally imposed, runs counter to our obligation under the General Agreement on Tariffs and Trade (GATT) and could encourage other countries to impose retaliatory levies.

The FY 1986 Continuing Resolution provides funding for worker retraining, job search allowances, and relocation allowances under the Trade Adjustment Assistance program. The Administration also is requesting a supplemental appropriation of $74 million for FY 1986 to serve dislocated workers under Title III of JTPA. We are proposing that these funds be distributed by the Secretary especially to areas with large numbers of workers who lost their jobs due to imports, and to areas with the most severe dislocation difficulties. In the FY 1987 budget request, the Administration proposes continuing job training, job finding, and relocation assistance for trade-impacted dislocated workers, as well as other dislocated workers, through Job Training Partnership Act programs. We believe this is a more efficient and flexible way to assist dislocated workers in returning to productive, full-time employment.

In the current program year, which ends this June 30, we estimate that approximately 285,000 participants will be served by the JTPA dislocated worker program. It should be noted that not all dislocated workers require assistance from programs such as JTPA and Trade Adjustment Assistance. Most of these workers qualify for and are able to find new jobs on their own.

CONGRESSIONAL REPORT ON DISLOCATED WORKERS

Question: The report by the Office of Technology Assessment criticizes the Dislocated Worker Assistance Program for giving too little emphasis to vocational skills training. It also says education to overcome deficiencies in basic skills is clearly an unmet need. Can you suggest ways to increase the effectiveness of the Dislocated Worker Assistance Program in providing basic skills, education and job training?

Answer: The report of the Office of Technology Assessment (OTA) points out that "It is premature to make definitive judgments about the sufficiency and effectiveness of the JTPA Title III program in responding to the problems of worker displacement". We agree. The Title III program is new and a departure from previous emphases of training and employment legislation.

A major emphasis of the Department is to develop and test innovative approaches to increase the effectiveness of the Dislocated Worker Assistance Program and other programs. Information on positive approaches will be made available to the States along with appropriate technical assistance.

The Department and the States have already, separately and jointly, begun to identify ways to increase program effectiveness. Examples are: rapid response teams being established by more States; a demonstration project with the State of New Jersey, which will look at various strategies to reduce dislocated workers stay on Unemployment Insurance; and a project with Canada to introduce States to the Canadian approach to assisting dislocated workers.

SUMMER YOUTH DATA

Question: What percentage of Summer Youth Jobs funds are now allocated to urban areas?

Answer: Since funds are provided to service delivery areas and some service delivery areas cover both rural and urban areas, the Department has not yet determined the percent of the funds allocated to urban and rural areas.

Question: How does this compare to the percentage of unemployed disadvantaged youth now living in these areas?

Answer: Based on data from the current population survey in 1984, 61 percent of the poverty population resides in urban areas. Moreover, Census data show 62 percent of unemployed youth age 16 to 24 reside in 366 urbanized areas with populations over 50,000. The Census data also indicated that roughly 85 percent of unemployed Black youth lived in urban areas with nearly two-thirds residing in central cities. We believe these factors demonstrate the importance of targeting summer program funds to urban areas.

Question: What projections do you have for the number of disadvantaged youth expected to be eligible for the summer youth jobs program in 1986, 1987, and 1988, compared with 1985?

Answer: Based on projections of the age distribution of youth between the ages of 6 and 16 in the 1980 Census, we estimate the following eligible populations for the summer program through 1988 in comparison with 1985:

	TOTAL YOUTH 14 TO 21	Number of Disadvantaged Youth
1985	30,243,022	5,413,500
1986	29,457,145	5,272,828
1987	28,670,299	5,131,983
1988	27,996,610	5,011,393

The number of disadvantaged youth is derived from the totals, assuming a constant poverty rate of 17.9 percent over the next four years. Our projections do not account for changes to the population from deaths and immigration.

REALLOCATION OF UNSPENT DISLOCATED WORKER FUNDS

Question: Labor Department data continues to show a large unexpended balance of funds in the Dislocated Worker Program. Why don't you recover excess funds from States that are not spending the money, and re-allocate it to other areas?

Answer: In accordance with Section 301(d) of the Act, the Department of Labor may only reallot unobligated Title III funds. The Department does not have authority to re-allocate unexpended funds.

Question: How much do you estimate would be available for reallocation in Program Year 1986 if you used the same definition of "excess unexpended funds" which applies to the Summer Youth Program?

Answer: The Program Year 1986 appropriation was reduced to $100 million because of substantial amounts of unexpended funds available nationally from prior years. At this reduced level, many States will spend most of the estimated $210 million in obligated carry-over into 1986. This will greatly reduce the amounts which would be subject to recapture if legislative authority was provided by the Congress. The Department however, does not support Title III redistribution of excess unexpended formula funds as is presently used for the Title IIB Summer program. If the Congress were to adopt such a policy, the allowable carryover would have to be much greater than the 10 percent presently permitted for the Summer program because of the very different character of the two programs.

JOB TRAINING FOR "WORKFARE"

Question: The Administration is proposing a "Workfare" program that would require States to enroll a minimum of 75 percent of their eligible welfare caseloads in work activities. How many individuals would be eligible for "Workfare"?

Answer: The Administration's Work Opportunities Initiative (WOI) program is much more than "Workfare". It is a comprehensive approach to help welfare recipients become self sufficient. Under WOI each State would carry on activities best designed to help their

welfare population. For the third year of WOI there would be 1,585,000 mandatory participants, of which 75 percent or 1,188,750 would be "actively participating". Participation would be defined by regulation.

Question: Do you have an estimate of how many of these individuals would need basic education and vocational training to become job ready?

Answer: The Office of Family Assistance, HHS, which has responsibility for the Work Opportunities Initiative does not have firm numbers as to how many would need basic education and vocational training to become job ready. However, the following FY 1984 WIN characteristics from 32 States could give some indication of the educational level of the 1,300,000 WIN registrants: 15.3% 8th grade or less; 35.7% 9th thru 11th grade; 38.0% 12th grade; 10.8% over 12th grade.

Question: How many AFDC recipients are now being served under the Job Training Partnership Act, and how many more could you absorb?

Answer: The Job Training Partnership Act requires that AFDC recipients in a State be served on an equitable basis, taking into account their proportion of disadvantaged persons sixteen years of age or over in the area. Approximately 941,600 individuals were served under Title IIA of the Job Training Partnership Act in Program Year 1984. Of this total, approximately 197,000, or 21 percent, were AFDC recipients. The decision to enroll additional AFDC recipients is a determination for each State to make within the context of their overall program design.

FLUCTUATIONS IN SUBSTATE BLOCK GRANT ALLOCATIONS

Question: Concern has been expressed that the allocation formula for the job training block grant program creates dramatic fluctuations in funding from year to year at the local level. Have you examined this issue and will you recommend any changes in the Act's formula provisions to alleviate this concern?

Answer: The Department is currently examining this issue in several ways. First, a study of the Job Training Partnership Act-JTPA- allocation formula by Abt Associates has been commissioned. A major topic of this study will be allocation stability. However, final results will not be available until August 1986. Second, the Department is performing computer simulations of a number of formula variations. It has been determined that the formula factors that cause instability in year to year allocations are the same factors that target funds to areas of high unemployment. Because of this, formulas that are intrinsically stable tend to cause some funding realignment away from areas with distressed labor markets. Currently, efforts are under way to find a configuration that provides both reasonable year to year funding stability and sufficient targeting to areas with high unemployment.

Finally, the Department is also analyzing the implications for using a substate hold-harmless factor for minimizing annual funding changes. This is being examined both in the context of the current JTPA formula and alternative formula specifications.

CLOSING JOB CORPS CENTERS

Question: What will be the basis for determinations as to which Job Corps centers are performing poorly and are to be closed?

Answer: Performance in placing youth in jobs or additional training is one of a number of factors we are considering in developing criteria on which to base center closing decisions. Other areas of consideration include center operating costs, costs for satisfying construction/rehabilitation needs of center facilities, geographical distribution of training slots, and quality of facilities. Our overall intent is to retain the most efficient and cost effective centers, ensuring that centers retained provide the best possible learning environment and are distributed geographically in a manner that maximizes equitable access for poverty youth.

Question: Will the operators of the centers to be closed for being "poor performers" be allowed to appeal that decision?

Answer: We have established criteria for ranking centers on operating costs, projected capital costs, performance and other factors to enable us to make decisions on center closings on the most fair and equitable basis possible. Once we make our final decisions, we intend to proceed with them to minimize disruption throughout the program. There will not be a formal appeal process. However, the center operators affected will be notified and provided an opportunity to review data used in the rankings and correct any errors.

Question: Specifically, what aspects of the Job Corps program will be affected by the $197 million rescission?

Answer: The basic Job Corps program will continue to operate, but at a reduced level. Enrollments would be curtailed in May, with center closings starting in July.

JOB CORPS LINKAGES WITH OTHER PROGRAMS

Question: Specifically, what are the improved linkages with the JTPA youth programs that will be encouraged and how will they result in cost reductions?

Answer: We are in the process of developing a comprehensive plan to promote Job Corps linkages with JTPA and other programs. We are considering no-cost referral agreements between Job Corps and SDAs for both recruitment and placement. We are also exploring the feasibility of using Job Corps facilities to provide training for JTPA enrollees, including dislocated workers; and of using JTPA programs to provide more advanced types of training and work experience to Job Corps enrollees. We feel that such linkages will result in improved performance and lower direct operating costs for Job Corps.

JOB CORPS PILOT POJECTS

Question: What types of pilot and demonstration projects are being planned and how might they result in cost reductions and improved effectiveness?

Answer: We are planning a number of pilot projects, including the use of incentive contracts, development and implementation of innovative approaches in program design, improving the capacity utilization of existing centers, and developing more private sector and Federal program linkages to obtain equipment, training curricula, instructors, and jointly funded programs.

DISLOCATED WORKER DISCRETIONARY FUNDS

Question: For the program year starting July 1, 1986, Congress appropriated $100 million for Dislocated Worker Assistance, of which $25 million is available for allocation at the discretion of the Secretary. How do you plan to allocate these funds?

Answer: The Department is in the process of developing its plan for the use of Program Year 1986 Title III discretionary funds. We anticipate that the procedures will be the same or basically the same as the existing procedures. That is, that proposals will be funded which specifically identify the dislocated workers to be served, the occupations lost, and the occupations in which retraining will occur. Careful consideration will also be given to planned costs. In addition, the Secretary will reserve the right to target some of the discretionary funds as necessary, to particular industries which may experience severe cutbacks in employment.

RURAL CONCENTRATED EMPLOYMENT PROGRAMS

Question: You are proposing to rescind $9,600,000 from four Rural Concentrated Employment Programs. What would be the impact of eliminating these funds?

Answer: The additional funds provided for the Rural Concentrated Employment Programs (RCEPs) have maintained funding for some RCEPs at an artificial level; that is, a level not supported, in some cases, by the statutory formulas. RCEPs would no longer receive elite treatment and be allocated funds on the same basis as all other SDAs, in accordance with the statutory formula.

Question: What is the total budget of each of these projects for each of the last 3 fiscal years?

Answer: The attached chart shows the funding levels for Titles II-A and II-B, for the four RCEPs for the Transition Year, PY 1984 and PY 1985.

DISTRIBUTION OF ADDITIONAL FUNDS FOR CEPs

STATE	TITLE II-A FY 1983	(9 Month) Transition Year 1984 1/ 4/	Program Year 1984 2/	Program Year 1985 3/	TITLE II-B SUMMER 1983 Summer	1984 Summer	1985 Summer
Kentucky							
Initial Allocation	$11,363,411	$3,808,321	$4,815,167	$6,506,484	$3,164,027	$2,255,476	$3,135,744
Additional Funds	N/A	4,006,704	6,422,922	4,651,605	N/A	908,551 *	28,585 *
TOTAL	$11,363,411	$7,815,025	$11,238,089	$11,238,089	$3,164,027	$3,164,027	$3,164,329
Minnesota							
Initial Allocation	$ 4,703,785	$2,243,156	$ 3,301,540	$ 3,718,975	$1,464,850	$1,543,884	$1,771,743
Additional Funds	N/A	1,084,962	1,375,403	957,968	N/A	- 0 - *	- 0 - *
TOTAL	$4,703,785	$3,328,118	$4,676,943	$ 4,676,943	$1,464,850	$1,543,884	$1,771,743
Montana							
Initial Allocation	$1,443,273	$ 655,449	$ 844,724	$ 953,068	$ 316,206	$ 397,202	$ 454,265
Additional Funds	N/A	360,623	507,091	477,947	N/A	- 0 - *	- 0 - *
TOTAL	$1,443,273	$1,016,072	$1,431,815	$1,431,815	$ 316,206	$ 397,202	$ 454,265
Wisconsin							
Initial Allocation	$3,529,093	$1,297,963	$1,910,344	$1,905,218	$ 696,942	$ 889,151	$ 883,067
Additional Funds	N/A	1,139,160	1,579,915	1,593,041	N/A	- 0 - *	6,084 *
TOTAL	$3,529,093	$2,437,123	$3,490,259	$3,498,259	$ 696,942	$ 889,151	$ 889,151

* Had there not been a special set-aside, these programs would have qualified for funds under the $100,000,000 supplementals passed for both the 1984 and 1985 summer programs. Zeros indicate State was not entitled to additional funds.

1/ A total of $7,500,000 was made available for the FY 1984 Title II-A program and the 1984 summer youth programs. All funds were distributed.

2/ A total of $10,000,000 was made available for the FY 1984 Title II-A program and the 1985 summer youth program. All funds were distributed.

3/ A total of $10,000,000 was made available for the FY 1985 Title II-A program and the 1986 summer youth program. Of this amount, $7,680,561 was distributed for FY 1985 Title II-A activities. The balance of $2,319,439 is available for the 1986 Title II-B summer youth program or other activities.

4/ These allotments were for a 9-month operational period - 10/1/83 - 6/30/84.

EDUCATION COMPONENT IN THE SUMMER YOUTH PROGRAM

Question: Legislation is pending in Congress to require establishment of an education component in the summer youth employment program. To what extent are sponsors of summer youth jobs programs currently offering educational services?

Answer: The Department does not collect specific information regarding the type of services offered by summer youth programs. The Department's regular reviews of the States' administration of the Summer Youth Program indicate that many service delivery areas are offering educational components to Summer Youth participants.

Question: What can you do administratively to increase educational services as part of the Summer Youth Jobs Program?

Answer: The JTPA provides for program design decisions to be made at the local and State levels. However, it is the Department's intent to issue a Training and Employment Information Notice to all States indicating the Department's strong support for the inclusion of educational services as part of the Summer Youth Program. The Department will encourage the States and the local SDAs to incorporate such components into their Summer Youth Program design.

Because we expect local areas to augment spending for literacy training, we have increased our unit cost estimates for the summer program to reflect the increased costs we estimate will occur with implementation of this initiative.

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM

Question: DOL published a notice of proposed revised rulemaking for the title V program on July 19, 1985. What is the status of these regulations? What are the major comments received on the notice of proposed rulemaking?

Answer: The Title V Senior Community Service Employment Program (SCSEP) Regulations were published in the Federal Register as a proposed rulemaking document on July 19, 1985. Prior to that date they were cleared with the Office of Management and Budget (OMB). The Paperwork Reduction Act and CFR 1320 require a second OMB clearance prior to the publication of final regulations. The regulations are currently being reviewed a second time by the Department of Justice and the Equal Employment Opportunity Commission. When they complete their review, we will submit a final version of the SCSEP regulations to OMB for approval before publication as a final rule in the Federal Register. We anticipate final publication in July.

The two sections in the regulations which generated the most comments were: (1) the increase in the unsubsidized placement goal from 15 to 20 percent, and (2) the proposal to place a limitation on the length of enrollment.

Question: DOL has undertaken an evaluation of the title V program. What is the status of this evaluation and what is the time frame for final evaluation results?

Answer: The evaluation which is being conducted for the Department by Centaur, Inc., is scheduled for completion by the end of July 1986.

CONNECTICUT EMPLOYMENT SERVICE

Question: Since 1980, the Connecticut Job Service has been cut by 36 percent, from 358 staff down to 228. It is getting to the point where further cuts may force closing of some of the State's 19 local offices, yet another 4.3 percent cut is scheduled to go into effect on July 1, 1986. How many other States have undergone massive reductions in funding since 1980?

Answer: The Wagner-Peyser Act amendments under the Job Training Partnership Act changed the manner of resource distribution after FY 1983 from a staff year basis to a need basis. Since FY 1983, the earliest year for which comparable data is available, total funding has increased by over 20 percent through the current program year (PY 1985). Although total funding has increased, approximately 13 States including Connecticut have undergone reductions ranging from .4 percent to 2.3 percent based on the new Wagner-Peyser allocation formula over the past two program years. (PY 1984 and PY 1985)

ESTABLISHING A FLOOR TO PREVENT CUTBACKS

Question: Shouldn't there be a "floor" established to prevent cutbacks below a minimal level required for survival of an effective State Employment Service activities?

Answer: The Wagner-Peyser Act provides that no State shall receive a total allotment under the legislated formula which is less than 0.28 percent of the total amount available for allotments for all States. Currently, only one State is at this minimal floor level. The allocation formula also provides that no State shall receive less than 90% of the relative share received in the prior year. Futhermore, the 3 percent set-aside is distributed in a manner which we believe assures that each State will have a total allotment sufficient to provide staff and other resources to carry out employment service activities on a Statewide basis.

EMPLOYMENT SERVICE STAFF REDUCTIONS

Question: How many further employment service staff reductions do you expect nationwide in Program Years 1986 and 1987, and how many offices do you project could be closed?

Answer: Funds are distributed under the needs based formula contained in the Wagner-Peyser Act and not on the basis of staffing as had been done in the past. Each State manages its formula distributed resources according to State and local program design and need for services. Given the flexibility in the use of these funds, it is not possible to estimate whether staff or offices will be reduced.

ELIMINATION OF TRADE ACT BENEFITS

Question: How many workers were affected by the elimination of Trade Act benefits?

Answer: It is estimated that approximately 11,000 certified workers receiving benefits were immediately affected by the program's expiration.

EXPIRATION OF TRADE ACT

Question: What steps are being taken to make special provisions in other programs such as the Job Training Partnership Act (JTPA) for dislocated workers who were eligible for benefits under the Trade Act?

Answer: The Department has requested a $74 million supplemental in Title III discretionary funding to provide dislocated worker services to trade-impacted and other dislocated workers in FY 1986. The Department will continue to use resources available in other programs to provide services to trade impacted-eligible workers.

TARGETED JOBS TAX CREDIT PROGRAM EXTENSION

Question: Would any administrative difficulties arise if the TJTC program were revived and made retroactive to its December 31, 1985 expiration date?

Answer: We do not know of any major administrative difficulties that would arise.

DROP IN COVERAGE OF UNEMPLOYMENT INSURANCE BENEFITS

Question: While the unemployment rate is dropping, so is the percentage of those actually drawing benefits. How do you explain that only one-third of the Nation's jobless actually receive unemployment benefits?

Answer: Individuals receiving benefits under programs administered by State Unemployment Insurance as a percent of total unemployment has averaged 34 percent for 1984 and 1985.

A recent study for DOL by the Brookings Institution cites that several possible causes for lower percentage of unemployed receiving benefits:

- Shifts in the composition of the labor force. More new entrants and reentrants to the workforce, particularly women, do not qualify for benefits until they have worked for a sufficient period.

- Expanded coverage of the UI program to include State and local government workers who typically experience lower rates of unemployment.

- Recent changes in State and Federal law including:

  - Tougher eligibility requirements
  - Tougher requalification provisions following a disqualification
  - Reduction of UI benefits by pensions attributable to same employer
  - Changes to Extended Benefit (EB) Program, and
  - Taxation of UI benefits.

- Back to back recessions meant some workers failed to obtain sufficient work to requalify for benefits.

PROBLEMS RESULTING FROM BEING ON A FISCAL YEAR BUDGET

Question: What problems have resulted from the practice of keeping the Unemployment Insurance Service on a fiscal year budget, while the Employment Service is forward-funded?

Answer: Recently the Department has launched a major public re-examination of the State Employment Security Agencies administrative

financing. During four public meetings held on this subject, some commentators indicated that keeping UI on a fiscal year budget as opposed to a program year budget for the State Job Service poses problems in administration and limits State flexibility.

These comments will be incorporated into and evaluated along with other comments received through further consultation with representatives from various groups interested in SESA administrative finance.

SUPPORT OF FORWARD-FUNDING THE UNEMPLOYMENT INSURANCE SERVICE

Question: Do you support putting the State Unemployment Insurance Service Agencies on the same forward-funded program year budget cycle as the State Job Service?

Answer: No. The Department has recently launched a major public re-examination of the State Employment Security Agencies (SESAs) administrative financing process. During four public meetings held on this subject, some commentators indicated that keeping UI on a fiscal year budget as opposed to a program year budget for the State Job Service poses problems in administration and limits State flexibility.

These comments along with other comments received, will be incorporated into and evaluated through further consultation with representatives from various groups interested in SESA administrative finance. It is too early to predict the outcome of this review and consultation.

ACCOMPLISHMENT OF FORWARD-FUNDING WITHOUT APPROPRIATIONS BILL LANGUAGE CHANGE

Question: Could this be accomplished with Appropriations Bill language without changing provisions of substantive law?

Answer: Yes. Language could be included in an Appropriations Bill to forward fund UI administrative activities; however, such language would be subject to point of order since the enabling legislation specifies a fiscal year basis.

UNEMPLOYMENT INSURANCE AND THE EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

Question: In Fiscal Year 1985 the Employment Security Administration Account (ESAA) had a surplus of $190 million in Federal Unemployment Taxes after paying the costs of the administration of Employment Service and the Unemployment Insurance System. Given that there is enough money in ESAA to finance the current levels of the Employment Service and the Unemployment Insurance System, why were both of these accounts made subject to sequestration under the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177)?

Answer: Payments made by the Federal Government to reimburse or match administrative costs incurred by a State in connection with any program, project activity, or account including administrative cost incurred by States in connection with unemployment compensation programs are subject to reduction or sequestration under Section 254 (a)(3) of P.L. 99-177. This covered ESAA funds to finance the Employment Service and the Unemployment Insurance System.

TARGETED JOBS TAX CREDIT PROGRAM RETENTION RATE

Question: What percent of targeted workers have been retained by employers and what has been the average length of their employment after the tax credits have been exhausted?

Answer: Current studies do not provide sufficient data to determine the percent of TJTC workers retained.

LENGTH OF EMPLOYMENT OF TARGETED JOBS TAX CREDIT WORKERS

Question: What has been the average length of employment (from the date hired) of targeted workers with employers that claimed the tax credit?

Answer: Data is not available on the average length of employment of TJTC workers.

TARGETEDS JOBS TAX CREDIT PROGRAM LOW PARTICIPANT RATES

Question: What explains the low participation rates (estimated to be less than 10 percent), by the targeted group eligible under TJTC?

Answer: Low participation rate of target groups may be explained for the following reasons:

- Employers do not participate because they believe that the necessary paper work will be burdensome.
- Lack of knowledge of the program among employers.
- Many employers are not able to benefit from TJTC because they do not have tax liabilities which the tax credit may reduce.
- Employers fear that the program will create red tape into the hiring process or bring about unwelcomed government interference.
- Potential participants do not tell employers they are eligible for TJTC for fear of being stigmatized as less than desirable workers.

TARGETED JOBS TAX CREDIT PROGRAM DISPLACEMENT RATE

Question: To what extent have low-paid individuals been displaced by targeted workers under TJTC?

Answer: There is no direct evidence of displacement of other workers by TJTC hires.

TARGETED JOBS TAX CREDIT PROGRAM PLACEMENT RATES

Question: What have been the placement rates, by targeted groups, of those certified under the TJTC program?

Answer: Placement and TJTC certification are essentially synonymous--both indicate the number of TJTC participants who obtain jobs. While data is not available on eligible target groups who get vouchered, the percent of vouchered who were certified during Fiscal Year 1985 is as follows:

	Percent
Summer Youth	53
Youth	58
Veterans	40
Ex-Convicts	37
Handicapped	43
General Assistance	30
SSI	48
AFDC	31

TARGETED JOBS TAX CREDIT PROGRAM
COSTS AS COMPARED TO OTHER PROGRAMS

Question: How has the cost of providing employment to targeted workers under TJTC compared to the cost of alternative programs, such as the Job Training Partnership Act?

Answer: We have made no study or comparison of these two programs because of the differing basic intent of the programs. TJTC provides a subsidy to employers for hiring certain workers, while JTPA provides economically disadvantaged people with job training to prepare them for employment.

EFFECTIVENESS OF THE TARGETED JOBS TAX CREDIT PROGRAM

Question: How have the outcomes, such as employment stability and increased wages, of workers who benefitted from TJTC compared to the achievements of other programs serving similar workers?

Answer: Comparisons of TJTC with other programs has not been made.

TARGETED JOBS TAX CREDIT PROGRAM EVALUATION STUDY

Question: Has the Department of Labor's-sponsored impact evaluation study of the TJTC program been completed? If so, what are the findings of the study?

Answer: The final report of the 18-month study should be available by early July 1986.

TARGETED JOBS TAX CREDIT PROGRAM REPORTS

Question: In response to a question submitted for the record in the FY 1986 Senate Committee on Appropriations hearings, the Department of Labor indicated that data for calendar year 1983 were being compiled for the first of the annual reports required by the Tax Equity and Fiscal Responsibility Act of 1983. Has the Department submitted the required report for 1983 and subsequent years to the Congress? If so, please briefly describe the findings.

Answer: The required reports on Verification Activities have been compiled for 1983 and 1984 and are currently being reviewed prior to submission.

QUALITY CONTROL PROGRAM

Question: In developing the Quality Control program the Department solicited the views of interested parties, including States. How would the Department characterize the States' reaction to the final design of the Quality Control program to be implemented?

Answer: State reaction to the revised quality control (QC) design has been very positive. All States had an opportunity to comment on these changes as part of the formal review and consultation process initiated by the Department. As part of these continuing consultations, State Employment Security Agencies had an opportunity to comment on the proposed detailed program requirements as well. These comments have also been incorporated into revised design for the QC program.

PROMOTING PRODUCTIVIY IMPROVEMENT AND QUALITY IN THE UNEMPLOYMENT INSURANCE SYSTEM

Question: What action has been taken in response to GAO's recommendation that the Department develop a comprehensive plan for promoting productivity improvement and quality in the UI system?

Answer: The Department has launched two major efforts that respond to GAO concerns. The first is the implementation of a national UI Quality Control program which will begin in April, 1986. This program, designed to encompass the entire UI process, will collect data on the quality of the functions performed. Data

collected will be used by State Employment Security Agencies (SESAs) to assess most aspects of their operations and to craft corrective action plans where needed to reduce errors and remedy other problems identified through these reviews.

The Department has also launched an intensive review of the UI administrative financing process. One objective of that effort is to identify changes needed to improve the efficiency and effectiveness of SESA operations. In addition, other actions taken that will affect UI quality include the provision of financial and technical support to wage request States who elect to convert to a quarterly wage record system. These conversions are likely to result in administrative cost savings, and improved detection of fraud and abuse.

IMPACT OF GRAMM-RUDMAN-HOLLINGS

Question: What will be the impact of Gramm-Rudman-Hollings budget reductions on the Department's UI program oversight responsibilities?

Answer: In FY 1986, Gramm-Rudman-Hollings budget reductions will have only a minimal effect upon current levels of oversight. In fact, in some areas, such as the oversight of State payment error rates, activities will be increased. The benefits of the Quality Control program scheduled for implementation during the latter half of this fiscal year should offset the fewer number of monitoring and compliance reviews and on-site technical assistance visits planned due to reduced travel allocations.

DEVOLUTION

Question: What would the improvements be for unemployed workers under devolution?

Answer: States could make improvements in administering UI for unemployed workers without having to seek resources from the Federal Government. States would be able to determine the level of resources used to administer their UI program. They could provide whatever they deemed necessary rather than being constrained by Federal resources allocations.

STATES QUALIFIED FOR INTEREST
AND DISCOUNT DEFERRALS

Question: Several provisions that allowed States to temporarily defer interest payments and receive a discounted interest rate expired in 1985. How many States would have qualified for these provisions if they had remained in effect?

Answer: Pennsylvania, West Virginia and Wisconsin would have qualified in 1986 for interest deferral. Wisconsin would also have qualified under the interest discount provision.

CHANGES THAT STATES MADE BECAUSE OF EXPIRED PROVISIONS

Question: What changes did States make in their Unemployment Insurance programs because of these provisions?

Answer: The States made the following changes:

- Increased the taxable wage base
- Increased the minimum and maximum tax rates
- Increased tax rates for new employers
- Assessed surcharges
- Froze maximum weekly benefit amounts
- Increased the number of weeks/amount of wages needed to qualify for benefits
- Reduced the duration of benefits, and
- Instituted a non-compensable waiting week.

REVENUES LOST BECAUSE OF PROVISIONS

Question: How much revenue was lost?

Answer: A total of $795 million in revenues was lost.

BUREAU OF APPRENTICESHIP AND TRAINING

Question: What has been the impact of the near 50% cut in staff of the Bureau of Apprenticeship and Training (BAT) upon the Federal-State relationship in the area of apprentice training?

Answer: The staff reductions in BAT have taken place over several years and were accomplished primarily by attrition. Staff levels have been averaging at about 250 FTE since FY 1984. The reduction in BAT staff has not changed the agency's mission but has resulted in a more efficient and economical operation. Through continuing efforts such as improved management, better staff training, increased use of automated data processing, more effective promotion techniques, and increased State agency involvement, the result is a more effective apprenticeship system. Federal-State relationships continue to be sound and BAT continues to maintain a State Director and a State Office in each of the 28 State Apprenticeship Council (SAC) States.

Question: What new initiatives has BAT undertaken since 1981 in the area of Federal-State relationships in the area of apprentice training:

Answer: New and improved working agreements have been developed with most State Apprenticeship Councils (SAC). These agreements strengthen cooperative relationships between BAT and the 28 SAC States. The continued expansion of the Apprenticeship Management System has provided both SACs and BAT with an updated and expanding base of information. The system reduces the time required for recordkeeping and other manual activities, thereby improving the

productivity of the BAT field staff. An important initiative to expand and improve the apprenticeship system is underway in cooperation with the Department of Education (DOE), to identify and promote linkages with the vocational educational system under provisions of the Carl D. Perkins Vocational Education Act of 1984. In cooperation with DOE, school apprenticeship linkage programs will be identified, promoted, and strengthened. Over the past several years BAT has provided training to field and SAC staffs with emphasis placed on a performance-based, flexible apprenticeship program as an option to the more common concept of requiring that a specified number of hours must be devoted to each part of the training program.

Question: Have any functions of the BAT been shifted to the States? Have the States taken on additional responsibilities for apprenticeship training in the wake of staff reductions at BAT?

Answer: No functions of the BAT have been shifted to the States. BAT continues to perform all of the activities and functions it has traditionally performed.

Question: Please explain what the impact of cuts in staffing of up to nearly 50% has been for the Bureau of Apprenticeship and Training.

Answer: The staff reductions in BAT have taken place over several years and were accomplished primarily by attrition. Staff levels have been averaging at about 250 FTE since FY 1984. The reduction in BAT staff has not changed the agency's mission but has resulted in a more efficient and economical operation. Through continuing efforts such as improved management, better staff training, increased use of automated data processing, more effective promotion techniques, and increased State agency involvement, the result is a more effective apprenticeship system. Federal-State relationships continue to be sound and BAT continues to maintain a State Director and a State Office in each of the 28 State Apprenticeship Council (SAC) States.

Question: What has changed both within the Bureau and in the mission of the Bureau since 1981?

Answer: There has been no change in BAT's basic mission. Activities and functions performed by BAT prior to 1981 are currently being performed. An on-line apprenticeship data information system is being installed to provide current data on registered apprentices and apprenticeship programs. The system reduces the time required for recordkeeping and other manual activities, thereby improving the productivity of the BAT field staff in accomplishing their mission. A new initiative to expand and improve the apprenticeship system is underway in cooperation with the Department of Education (DOE) under provisions of the Carl D. Perkins Vocational Education Act of 1984. In cooperation with DOE, school apprenticeship linkage programs will be identified, promoted, and strengthened. Over the past several years BAT has provided training to field and State Apprenticeship Council staffs with emphasis placed on a performance-based, flexible apprenticeship program as an option to the more common concept of requiring that a specified number of hours must be devoted to each part of the training program.

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Question: When cuts of this magnitude (nearly 50% of staff) take place, what are the costs for the agency and program; in terms of mission, efficiency, morale, retention of staffers of top ability?

Answer: The cuts taken by BAT have taken place over several years and were primarily accomplished through attrition. Staff levels have been averaging at about 250 FTE since FY 1984. The reduction in staff has not changed the Bureau's mission but has resulted in a more efficient and economical operation. Morale remains high. The reduced staffing level has had no impact on the retention of staffers of top ability.

Question: Please provide for the record data on the cost of formal (registered) apprenticeship training broken down, as nearly as possible, in the following manner:

-- Cost to the Federal Government through the Bureau of Apprenticeship and Training or through other apprenticeship agencies or committees.

-- Cost to State and local jurisdictions.

-- The contribution by the trade unions involved or by the individual trainee.

-- Cost/contribution of private industry.

-- Cost/contribution by industry to informal (unregistered) apprentice training efforts.

Answer: Apprentice training in the United Stated falls generally into two broad categories: efforts that are recognized and registered by the Bureau of Apprenticeship and Training and/or by the appropriate State apprenticeship council, and informal or unregistered efforts conducted independently by private employers.

The cost to the Federal Government for apprenticeship Training is the salaries and expenses of the staff of the Bureau of Apprenticeship and Training which is $13,029,000 for Fiscal Year 1987. Currently, 28 States, the District of Columbia, Puerto Rico, and the Virgin Islands have established State Apprenticeship Councils (SACs) for the purpose of approving apprenticeship programs registering apprentices, and providing the general administration of apprenticeship in those jurisdictions. The costs of these operations are borne by the States with no Federal funds involved. The costs are approved by each State's legislature and we have no information as to the amounts involved. The staff in those States vary widely from little or no staff in some, to a rather large staff in California.

The actual costs of providing the on-the-job training and the related instruction for apprentices are paid by the program sponsors, which may be an individual employer or a combination of employers and trade unions. The individual trainee (apprentice) does not contribute to the payment of the training costs and, in fact, is paid wages on which taxes are paid while in training as an apprentice. The Federal Government does not contribute any funds for apprentice training.

Since employers/trade unions have not requested approval of "unregistered" apprentice training programs and no apprentices are registered by BAT or the States for those training efforts, we do not have any information as to either the number of "unregistered apprentices" or the costs involved. BAT staff, in many cases, provide assistance and guidance to employer/trade unions in planning for such training efforts, but the program sponsor then decides not to request approval of the program which is entirely voluntary on the part of the sponsor. Here again, the costs of actually operating such "unregistered" apprentice training programs are born entirely by the employer/trade union.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will stand in recess until Wednesday at 9:30 when we will reconvene in this room to hear the testimony on the fiscal year 1987 budget of the Bureau of Labor Statistics; Employment Standards Administration; Pension Benefit Guarantee Corporation; and Mine Safety and Health Administration.

[Whereupon, at 11:25 a.m., Tuesday, February 25, the subcommittee was recessed, to reconvene at 9:30 a.m., Wednesday, February 26.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

WEDNESDAY, FEBRUARY 26, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Andrews, Specter, Proxmire, Chiles, and Burdick.

DEPARTMENT OF LABOR

BUREAU OF LABOR STATISTICS

STATEMENT OF JANET L. NORWOOD, COMMISSIONER

ACCOMPANIED BY:

WILLIAM G. BARRON, DEPUTY COMMISSIONER FOR ADMINISTRATION AND INTERNAL OPERATIONS

KENNETH V. DALTON, ASSOCIATE COMMISSIONER FOR PRICES AND LIVING CONDITIONS

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Good morning.

This morning, we will be hearing from the Bureau of Labor Statistics [BLS], Employment Standards Administration [ESA], Pension Benefit Guaranty Corporation, and the Mine Safety and Health Administration.

Our first witness will be Janet Norwood, the Commissioner of labor statistics.

You have been here many times, and we always enjoy your appearance. You may proceed however you wish.

Ms. NORWOOD. Thank you very much.

I would like to introduce Mr. Barron, who is our Deputy Commissioner for Administration and Internal Operations, and Kenneth Dalton, on my right, who is our Associate Commissioner for Prices and Living Conditions.

Let me just very briefly, Mr. Chairman, point out that our 1987 request is for $195.9 million, of that, about $8 million is in mandatories. Beyond that, what we have done is to take the opportunity to reprogram so that the most serious effects on our major indicators that have been caused by the automatic aspects of the Gramm-Rudman legislation can be repaired.

What we have done in this year is to try to be as responsible as we could since we have, after all, an economy that is being run by the numbers, and most of those numbers come from BLS. I feel that although there is often a temptation to do things that perhaps would not be the most responsible, the work that we have been doing at the Bureau is to be certain that we protect the quality of things like the Consumer Price Index [CPI], all of our price programs, employment, unemployment, and all our core programs.

So we have taken a strategy of postponing and suspending resampling, reducing samples, reducing quality control in a way which I think we can live with between now and September, but cannot be allowed to continue.

So we essentially put back in the President's budget for 1987 the cuts in some of these major programs that were caused by Gramm-Rudman, and then we have taken cuts for other reasons, and included some increases.

We have decreases in our occupational outlook and projections program, and in our occupational employment statistics program. We have other cuts in our basic program, and we have a cut in the plant closing and mass layoff program.

It is an extremely lean budget. There are only a few increases. One is about $500,000 to increase security in the Consumer Price Index. Since futures contracts based on the CPI are now being traded in the commodity futures market, we could have some problems. There are some regulations for investigation of employees and things of that sort, which we really must put into effect.

We also, as you will recall, serve as the agent for the Federal Government for the pay comparability survey. We have been asked by the administration to expand that survey into smaller establishments, and other industries. So there is an increase of approximately $2 million in our budget for that purpose.

In addition, there is a $1 million increase for something that is called improvement of the system for the universe maintenance file. That is probably the most important thing that we can do to shore up the quality of our data. This is a file of about 5 million business establishments from which we select all of the samples for all of our surveys.

I am very concerned about the deterioration of that system. It must be repaired. It is, as I said, the most important issue for maintenance of quality that I see.

I must express my concern at what I see as the possible erosion of the quality of the statistical system in general in this country. It is tre-

mendously important that the data be kept relevant to changing economic and social conditions, particularly the things that we, at BLS, measure.

Conditions change and our data cannot be measuring the conditions of two decades ago.

The statistical art is also changing, and there is new technology available. We have to do all that we can to make sure that we use the most modern state of the art.

I believe that the President's budget for fiscal year 1987 will permit us to hold on to those things that we have, and we will at BLS try to do the best job we can to maintain that quality.

PREPARED STATEMENT

Senator WEICKER. Thank you. We will place your statement in the record in its entirety.

[The statement follows:]

STATEMENT OF DR. JANET L. NORWOOD

I appreciate this opportunity to appear before you to present the Bureau of Labor Statistics [BLS] appropriations request for fiscal year 1987.

In fiscal year 1986, the BLS has taken automatic reductions in compliance with Gramm-Rudman-Hollings legislation. In selecting areas for reduction, I tried to protect the quality of our core programs as much as the requirement to cut each program and project permitted. I also took into account consistency with the fiscal year 1987 budget request. The lack of flexibility, however, in selecting specific areas to be affected required cutbacks across all major programs in data collection and publications as well as in sample maintenance, quality control, and technology. In many cases, these reductions dilute program quality; given the uses of these important indicators, this is a matter of great concern to me.

The specific nature of the Gramm-Rudman-Hollings fiscal year 1986 reductions are described in the budget narrative; they affect every major Bureau indicator.

The fiscal year 1987 request is for $195.9 million. I believe this budget is tight but responsible. Although this request reflects increases over the 1986 appropriated level, it includes $8 million to cover rising costs over which the Bureau has no control, such as increases in State salaries and space rent.

The basic core programs, which account for the bulk of the resources in this request, represent a broad range of important and well-known economic statistics, such as employment and unemployment data; the consumer, producer, and international price measures; wage and benefit data; and productivity and economic growth measures. They are used extensively to monitor the state of the economy and to support economic policy planning and decisionmaking. Even in these times of budget austerity, there are a number of issues so pressing that they simply must be addressed. As a result, the Bureau requests additional resources to meet the following needs:

1. Funds are requested to enable BLS, at the beginning of fiscal year 1987, to repair the deferrals, delays, and quality losses that affected major indicators in 1986. In the case of the CPI, these funds would permit a start on the multiyear effort required to replenish the 1986 city sample reduction.
2. An expansion of the survey of professional, administrative, technical and clerical [PATC] pay in white-collar occupations throughout the Nation to provide data from a broader group of industries, including State and local governments, and smaller establishments than the present survey covers. This expansion reflects the President's endorsement of the recommendation of his Cabinet Council on Management and Administration. It will increase the quality and scope of the data available for us in setting Federal white-collar salary levels.

3. A new universe maintenance system [UMS] which is critical to the efficient management of the Bureau's universe file of over 5 million business establishments used in all BLS sample surveys. The new system will also permit the development of a new longitudinal data base, which will enable the Bureau to identify—as the data base expands—the types and characteristics of establishments that have shown job creation activity over time. The Bureau will then be able to analyze different characteristics of job-creating and job-losing establishments. I believe that this system's initiative is central to the maintenance of the quality of all BLS surveys. In addition, it will provide us with an important tool for understanding the characteristics of companies which create employment.
4. A strengthening of the Bureau's security measures to protect the Consumer Price Index from premature release, now that futures contracts based on the index are being traded in the commodity futures market.

Partially offsetting these increases are reductions designed to permit us to carry out the increases in higher priority areas that I have just described within the overall budget limitations.

These include: Reduction in the Occupational Employment Statistics Program; reduction in the Bureau's Economic Growth and Employment Projections Program; elimination of the survey of the permanent mass layoffs and plant closings; reduction in area employment detail in the Current Employment Statistics Program; and to comply with the President's productivity improvement plan, the budget request reflects a reduction in personnel and funds. The manner in which these savings will be achieved will be identified during the course of fiscal year 1986.

In addition, the fiscal year 1987 request includes the previously planned reduction in the multiyear Consumer Price Index Revision Program as previously approved by OMB and the Congress and elimination of one-time funding for SIC refiling in the Employment and Wages (ES-202) Program.

As the Bureau makes the significant changes proposed in program over the course of the coming year, we will continue to give close attention to the conservation of base resources by careful monitoring of expenditures. I am proud of the management initiatives we have introduced at BLS and assure you that we will do everything possible to continue to produce data that are relevant and of high quality.

Mr. Chairman, I am ready to answer any questions you may have. Thank you.

MAINTAINING QUALITY STATISTICS

Senator WEICKER. I am having a little difficulty with the last portion of your statement. On the one hand, you express concern as to the quality of the statistics, and on the other hand, you are saying that we are going to hold on.

I would agree, there are so many things now that depend on your Department and the accuracy of its work product that I get very apprehensive when I hear you use the term hold on, when obviously you feel that possibly, you are not keeping up with the state of the art in terms of acquiring information.

Ms. NORWOOD. Mr. Chairman, I believe that the budget that is before you will permit us to continue many of the initiatives that we have begun. I am most concerned about the problems that we had in, for example, taking Gramm-Rudman cuts in the Consumer Price Index and the consumer expenditure programs of the same percentage as in some of the other programs.

Senator WEICKER. I have not had a chance to see your budget. Was the automatic Gramm-Rudman cut per fiscal year 1986 carried forward into fiscal year 1987?

Ms. NORWOOD. No, sir; and that is the important point I am trying to make. It is essential that those cuts be restored. They do show up in our budget as a whole string of increases. They are counterbalanced by decreases, but they do show up as individual increases for every one of our programs.

The point that I would like to make to the committee is that what we have done deliberately is to suspend some of the quality controls, some of the resampling in our producer price index, in our import/export price index, for example, and in the CPI. In the basic employment program, we have cut back on some of the local area data.

There are a whole host of things of that sort which we can live with for a 6-month period, but I would be very concerned about their going beyond that.

This budget that is before you would take care of those situations by restoring money and taking cuts in our projections and occupational employment statistics programs, and in eliminating the plant closing and mass layoff program.

Senator WEICKER. What are we talking about in the way of additional moneys, in terms of making you feel more comfortable with your work product?

Ms. NORWOOD. That is a lovely question to ask an administrator. I believe that the increases of roughly $3.9 million that are here in the budget for program increases not including restoration of Gramm-Rudman, counterbalanced, of course, by $12.1 million in decreases, is quite important. I am particularly concerned about our beginning work on our universe maintenance system.

Senator WEICKER. Did you say, $3.9 million?

Ms. NORWOOD. In increases, and $12.1 million in decreases, and then there is the restoration of the Gramm-Rudman cuts, which is $8.2 million and increases for mandatory costs, which makes $21 million in total increases, or in aggregate $900,000 in increases from the 1986 appropriation. The budget is balanced, essentially.

Senator WEICKER. What we are talking about still is a shortfall of $9 million, roughly?

Ms. NORWOOD. Yes.

LOCATION OF BLS STAFF

Senator WEICKER. The Bureau of Labor Statistics continues to have its staff spread among various buildings, and last year pressure was mounted to consolidate your operations in one suburban location.

Where does all of this stand? I don't know why it has to be a suburban location, when it can be downtown in Washington, DC.

The business of relocating in one location, where does that stand?

Ms. NORWOOD. GSA has just informed us of plans to consolidate us in two buildings, some floors of the GAO Building, and then gradually moving staff into the Bicentennial Building, which is about four blocks away. We seem to be moving adequately on that.

There were some discussions with the Congress about moving the Bureau out of town, but many Members of the Congress didn't like that since we provide quite a lot of service to them.

BLS EMPLOYMENT

Senator WEICKER. You have been quoted in the press as saying, "Many talented young statisticians no longer are interested in working for the Bureau of Labor Statistics." What is the problem here, money?

Ms. NORWOOD. I didn't quite say it that way, sir. What I have been saying, and I will repeat again: It is becoming increasingly difficult to attract and keep really good people, especially in the areas in which we hire, which are statisticians, quantitative economists, and systems analysts, all of whom are in great demand in the private sector. It is becoming increasingly difficult given the instability of the budget process and attitudes, I think, in general.

We are concerned about the number of people leaving the Bureau who are worried about the budget process, and whether they are going to have jobs. When they get opportunities, they accept them, and we have found that it is increasingly difficult for us to compete at some middle grade levels with the private sector—particularly with the universities.

We don't want just mediocre people. We have been very, very careful and setting very high standards for the people that we hire. The kind of work we do requires that. It is an increasing problem, I believe.

Senator WEICKER. Senator Proxmire.

Senator PROXMIRE. Mr. Chairman, I am delighted that I was able to get down here. I had another hearing, but I left because I think so highly of Dr. Norwood. She has done a marvelous job.

I have been on the Joint Economic Committee for more than 25 years. During that time a number of commissioners have appeared before us, and no one has been more impressive, more effective, and more competent than Dr. Norwood.

Every single month when the unemployment figures came out, I chaired a hearing of the Joint Economic Committee at which she testified, and she has been extraordinarily forthcoming and fair, nonpartisan, and helpful.

OCCUPATIONAL SAFETY AND HEALTH STATISTICS

Commissioner Norwood, as you know, I have been following with interest your implementation of a $500,000 initiative to investigate the accuracy of employer recordkeeping of accidents and injuries. This accident and injury data, as reported to the Bureau, serves as the basis for decisions of the Occupational Safety and Health Administration, OSHA, regarding industries to be monitored.

Are you conducting any analysis on specific employer accident and injury records to assess their accuracy?

Ms. NORWOOD. We have been doing several things, Senator. I believe you are aware of the contract that we have negotiated with the Com-

mittee on National Statistics of the National Academy of Sciences to do a complete review of the statistical programs in occupational safety and health.

Over the next 18 months that will provide us with an objective, outside review of how well we are doing. Also, one of the issues that they are charged to look at is the question of mathematical methodologies for evaluating the quality of the records.

In addition to that, we have a very small project to go out to 50 establishments which will give us an opportunity to talk with them and learn about how they keep the records, who keeps the records, how much access to the records there is.

We have done some pilot testing, with a questionnaire, and we are about to send that off to OMB. Once that is cleared, we will be going out and continuing that work. That will not provide statistical estimates because the sample is too small, but I think it will provide us with a good deal of important information.

In addition, we have begun discussions with the OSHA to see what kind of information can be pulled out of their inspector data base on the quality of its records. As you know, it is OSHA's responsibility to enforce recordkeeping regulations.

Beyond that, we have done a good bit of work in the illness area, which is related to the question that you asked. We just had a most successful conference in Albuquerque where we brought together the chief public health people and the labor people from the States, got a dialog going together with the National Institute on Occupational Safety and Health [NIOSH] and the National Center for Health Statistics. We have entered into cooperative agreements with them, and really have made a great deal of progress this year. It is, as you point out, an extremely important area.

Senator PROXMIRE. Do we have enough monitoring, enough testing, so that we can be assured that employer accident and injury reports are reliable?

Ms. NORWOOD. There never is enough monitoring to assure that all reports are reliable. We do the best that we can. The Occupational Safety and Health Act provides a legal requirement for employers to keep records on certain conditions. We have to assume that most of them follow the law.

Senator PROXMIRE. You think that the data are reasonably accurate.

Ms. NORWOOD. Yes.

Senator PROXMIRE. I note that you will be making selected reductions over a 2-year period in occupational employment statistics——

Ms. NORWOOD. Yes.

PROGRAM REDUCTIONS

Senator PROXMIRE [continuing]. And your economic growth and employment projections program. Just how will those programs be affected by those reductions?

Ms. NORWOOD. We will reduce a good bit of the work we do on our economic growth model. We will reduce some of the special research that we do on things like the technology coefficients and the input/output framework.

The occupational employment statistics program is a Federal and State cooperative program. We will probably be reducing the level of detail by industry from three digit to two digit level at the State level.

Two weeks ago, I was at a meeting of the State Labor Market Information Committee, and discussed with them ways in which they thought it would be best to take these reductions. They are concerned because they use these data in order to develop a matrix of occupation by industry which they, then, use in their projections.

We believe that since we have done one whole phase, and this is a phased survey over a 3-year period, the data are there, and we can keep them up with somewhat lesser detail.

Senator PROXMIRE. You also plan, I understand, a reduction in area employment detail——

Ms. NORWOOD. Yes.

Senator PROXMIRE [continuing]. In the current employment statistics program. Will that have an adverse impact on State and local government decisionmaking?

Ms. NORWOOD. I hope not. As you and I have discussed quite often, there is increasing disparity among local areas, and that is a matter of concern, but these would be the smaller areas.

Senator PROXMIRE. Does that mean that you will still be able to provide, for example, detailed up-to-date unemployment figures for the 10 largest States?

Ms. NORWOOD. Yes; it will not affect the local area unemployment statistics program. This will mean that there will be 75 fewer of the metropolitan statistical areas that will be published from the employment survey.

STAFF REDUCTIONS

Senator PROXMIRE. I notice that the Bureau of Labor Statistics is projecting a staffing cut of 56 positions in its 1987 budget.

Ms. NORWOOD. Yes, sir.

Senator PROXMIRE. A total of 41 positions can be saved, according to your budget materials, because of productivity gains.

Ms. NORWOOD. Yes, sir.

Senator PROXMIRE. Can you tell us how those gains will be made?

Ms. NORWOOD. With great difficulty, but they will be achieved.

Senator PROXMIRE. You are able to cut staff through productivity gains, and that speaks well for your efficiency.

Ms. Norwood, as you recall, last year we discussed the possibility that your personnel system might be centralized at the departmental level, having an adverse effect on your professional staff. We subsequently placed language in our committee report on this subject. Is that going to be a continuing problem, or have these plans been dropped?

Ms. NORWOOD. The plans have been dropped.

Senator PROXMIRE. Once again, I want to commend the Commissioner. She and I have been meeting every month for 8 years, I find.

Ms. NORWOOD. That is right.

Senator PROXMIRE. Let's hope my wife doesn't find out about this. [General laughter.]

Senator WEICKER. Senator Andrews.

PERMANENT MASS LAYOFF AND PLANT CLOSINGS

Senator ANDREWS. Thank you, Mr. Chairman.

Yesterday, during Secretary Brock's appearance before the subcommittee, I asked him about the Department's request to have a $74 million supplemental for the dislocated workers assistance program under title III of the Job Partnership Training Act.

The Department, I understand, is also requesting that this money be placed in the Secretary's discretionary fund so that areas with the greatest need, in terms of dislocated workers, can be better targeted.

Why are you proposing to eliminate the permanent mass layoffs and plant closings program, and isn't the data provided by this type of program helpful in attempting to identify critical need areas?

Ms. NORWOOD. Yes; it is. The mass layoff program is an important and a useful program. We have some preliminary data for four States showing, in the last 6 months, from April to September, a little less than 50,000 people involved in layoffs that resulted from plant closings, or large layoffs. In these States, large proportions of them have been Hispanics and females. Nevertheless, we have a problem these days in not having enough money to do everything. Given the objectives of the Bureau, and given the uses of BLS data by the Congress in legislation, this program is of lesser priority than maintaining the quality of the Consumer Price Index, or the unemployment data. That is really where we are.

Senator ANDREWS. What I am leading up to, of course, we have a massive dislocation in agricultural America. We need this kind of retraining program for dislocated workers. Not only dislocated workers, but workers who are being shoved out of the fields.

How are you going to identify the needs in the agricultural area if you don't keep up some kind of program like this so that you can quantify the numbers, so that somehow or another, we can take a look at them in this committee and say, here is an area that we have to focus more attention on?

We are going to have a massive herd sellout in my friend, Senator Proxmire's State in the dairy industry. You are going to have farmers going bankrupt in my area, and maybe even in Connecticut there is some agriculture that has problems, but not to the extent that Senator Proxmire and I have.

How are we going to direct those energies, if we don't know the specific numbers?

Ms. NORWOOD. There are some numbers that we do have. For example, we are continuing the supplement to the current population survey, in which we were able for the first time to put some parameters around the numbers of displaced workers. We did that in January 1984. We repeated the supplement in January 1986 and should have those results by the fall.

So that will give us some general idea of people who are affected. In addition, we, of course, have a good deal of data from our business survey on employment changes in general.

Senator ANDREWS. On another subject, with respect to the enforcement of wage and hour standards program, how does the administration go about insuring voluntary compliance?

Ms. NORWOOD. That is not a BLS responsibility, Senator. It is the Employment Standards Administration's responsibility. We do provide data. We do survey work for ESA, and they use those data. I believe that they will be appearing before you shortly.

Senator ANDREWS. They will be shortly afterwards, but I just wanted to get a quick insight on that. The major question I had, I have explored.

Thank you, Mr. Chairman.

Senator WEICKER. Thank you, Senator Andrews.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

There will be further questions for response to the record. Thank you very much.

Ms. NORWOOD. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

SERVICE SECTOR DATA

Question: We are all aware of the fact that the service sector has become the major employer in the United States. For several years, you have been givn funds to improve your data to reflect this industrial shift. When will the revisions be completed?

Answer: The BLS report sent to Congress in February 1985 outlined a broad set of needs that should be addressed to improve the coverage of the service sector. Using funds appropriated by the Congress specifically for this purpose, BLS is meeting some of the needs that were identified. New wage, price and productivity series are being published as they are completed. Eight new measures have already been added to the Employment Cost Index as well as two to the labor productivity series. Further additions are scheduled for this year and next.

In addition to this initiative to expand the development of service sector measures, the Bureau is also improving the quality, timeliness, and coverage of its Current Employment Statistics (CES) program. As a first step the CES sample was strengthened enough so the Bureau was able to publish employment levels and sample characteristics--reporting units, percent coverage and average number of employees per establishment--for 82 additional industries in the service-producing sector. These new series are being published on a monthly basis.

Question: Do you need more funds to modernize data systems to keep up with the growth of the service sector?

Answer: Although the BLS report to Congress indicated a need for more resources for the service sector, the current emphasis on cost cutting and program retrenchment in both the Executive and Legislative branches is such that the Bureau will forego requests for additional resources at this time and attempt to make the most effective use of its present availability.

SHIFT FROM MANUFACTURING TO SERVICE SECTOR JOBS

Question: After a long-term decline, there appears to have been a rebound in recent months in manufacturing employment. Over the next several years, what trend do you see in manufacturing employment?

Answer: The lastest projections prepared by the Bureau of Labor Statistics suggest that manufacturing employment will show only modest growth from now to 1995. Increased productivity over this period will lead to a rise in manufacturing output without an equal increase in jobs.

Questions: What problems do you forsee from the shift toward lower-paying service sector jobs?

Answer: The precise effect of factory job trends on wage levels is difficult to measure. The answer would require detailed occupational wage information by individual industries which are not available on a current basis.

We all know that such industries as primary metal and machinery manufacturing traditionally have had average hourly earnings considerably higher than those in other industries, and that these industries have lost jobs. Significant employment declines have occured in these industries whose average hourly earnings were more than $10.00. What is not so well understood is that job losses have also occured in such manufacturing industries as textiles, apparel, and leather with earnings from about $5.00 to $7.00 an hour, so that, on balance, average hourly earnings have not declined.

It is similiarly well-known that the fast-growing service sector includes jobs in such low-paying industries as restaurant and fast food places with quite low hourly earnings (about $4.35 an hour on average). On the other hand, we have seen significant growth as well as business and health services, with wages in the $8.00 range, and in legal services, where clerical and nonsupervisory workers had earnings in excess of $10.00 an hour.

Average hourly earnings have continued to rise over the last three years, indicating that the loss in good paying jobs has not lowered average pay. The average hourly earnings for goods-producing jobs, on the whole, went from $9.16 to $10.16 over this period, despite the job losses in some of the higher paid industries. During this same period, pay in the private service producing sector, though lower, went up more proportionately--from $7.02 to $7.89 as demand increased the pressure on wages. Business services increased by 15% (to $8.25) while manufacturing went up 12%.

The averages are just one indicator of the shifts. We also know that the fastest growing occupations have tended to be those with above average earnings. Jobs lost in high paying industries have tended to be disproportionately in low wage occupations within the industry, many with earnings below the industry average. Many of the jobs gained in the service industries have been in high wage occupations with earnings above the average. The complete picture of the effect depends on both industry and occupational shifts.

CONSUMER PRICE INDEX REVISION

Question: For Several years you have been revising the Consumer Price Index. Yet it is my understanding that the CPI will not reflect these revisions until January 1987.

Answer: The January 1987 CPI will reflect the expenditures of

consumers for the years 1982-84. That is an elapsed time of only three and one-half years from the mid-point of the expenditure reference period and the first CPI release and is a substantial improvement over previous experience. The last revision was released with the data for January 1978 and was based on 1972-73 expenditures, a five year lag. Given the complexity of the work involved we believe the current revision reflects improvement in the efficiency of this aspect of the CPI Revision process.

Question: Why is it taking so long to update this series?

Answer: The expenditure weights in the revised CPI will be based on data collected in the ongoing Consumer Expenditure Survey (CES) conducted for BLS by the Census Bureau. Because of the relatively small sample sizes in that survey, three years of data are required for CPI weight calculation. The CES relies on a quarterly interview survey design. Thus, the final data for 1984 were not collected until March of 1985. Subsequent to that date, the data were just tabulated by the Census Bureau and delivered to BLS where substantial additional processing is required.

Further, the revised CPI design requires that additional data be collected for a geographic area-specifically Phoenix-that was not included in the existing CES design. Work could not begin for Phoenix until the FY 1984 appropriations were received for the first year of the revision. After that, new samples had to be drawn, data collectors had to be trained, and the data collected. Data collection could not be completed there until September 1985.

Question: Will the revisions be out of date by the time they are published?

Answer: The CPI will be released on its revised basis only three years and four months after the revision was planned and funded. In that time entirely new samples will have been designed and selected for both housing and other goods and services; new data collection staff in 39 cities will have been hired and trained; CES data for 3 years processed; and all data collection documents redesigned. In addition many improved techniques will have been researched, designed and implemented, and an entirely new computer system, that is both more accurate and less expensive to operate, will have been designed, coded, tested, and installed.

Question: Will the fiscal 1986 Gramm-Rudman cutbacks adversely affect this work?

Answer: Currently, data for the CPI are collected in 85 different local areas. The CPI revision plans call for increasing that number to 91. As you know, when BLS was confronted with the necessity of taking the 4.3% Gramm-Rudman reduction, we were forced to take a proportionate cut in the CPI revision because it is a separate budget activity. Our first assessment, which had to be made in a matter of a few days, was that the only way such a steep cut could be taken on short notice was to reduce the local area sample for the CPI revision from the planned 91 to 77.

Because of a number of sampling efficiencies and enhancements made during the revision, this 77-area sample would have provided for a CPI that was as accurate as the current 85-area design. As it turns out, given another month to review the detailed CPI revision plans, we have developed a strategy that will not require reducing the sample for the revised index, so long as FY 1986 Gramm-Rudman reductions are not continued into FY 1987. This strategy requires instead that we delay a wide variety of enhancements scheduled for the CPI revision and elimination of some research activities. While the enhancements-delays will mean that the January 1987 CPI will be of lower quality than it might have been, nevertheless, the January 1987 CPI will be at least as good as the current index. Because the reductions we are now taking only delay certain features of the revision, we will ultimately be able to recapture the originally planned quality of the CPI, albeit on a slower schedule. The kinds of enhancements being delayed or slowed down come in such activities as survey audit and quality assurance; improved pricing methodologies; and certain improved item samples.

PAY SURVEY

Question: You are asking for an increase of $2,062,000 and 46 positions for expansion of the Professional Administrative, Technical and Clerical Pay Survey. Why do you need an increase of this magnitude in a program that now has $3,409,000 and 63 positions?

Answer: The increase of $2,062,000 and 46 positions for expansion of the PATC survey primarily reflects a two-thirds increase in the annual sample (from 3,500 to 6,000 personal visits) to represent adequately some 625,000 private establishments and 75,000 State and local government units. (The pre-expansion survey covered approximately 42,000 medium and large units in the private sector). Three quarters of the 46 new positions are field representatives, clerks, and professional reviewers who will help collect, edit, and analyze data from the greatly-enlarged PATC survey sample. The remaining positions are needed to break new ground in such areas as intensive training techniques, sampling of State and local governments, job description development, and computer systems development so that the PATC expansion can be implemented fully in three years.

UNEMPLOYED PERSONS

Question: For over a year, about 8 million Americans, on average, have been unemployed each month. This is true even though total employment grew by nearly 2 million over the past year. Who are these unemployed workers and what is the nature of their employment problem?

Answer: As of January 1986, unemployment totaled 7.8 million persons, down by some 600,000 from a year earlier. Employment

grew by about 2.3 million over this same period. The reason that unemployment did not decline by about the same magnitude as the employment increase is the fact that the labor force also grew markedly over this period--by 1.7 million. Over time, the labor force, which is the sum of the employed and unemployed, grows in large part because the population is also growing.

The table below provides a distribution of the unemployed total in January (seasonally adjusted) by several demographic characteristics and also by duration of unemployment.

	Number	Percent
Total unemployed.....	7,831,000	100.0
Adult men.....	3,507,000	44.8
Adult women.....	2,915,000	37.2
Teenagers.....	1,409,000	18.0
White.....	5,796,000	74.0
Black.....	1,810,000	23.1
Hispanic.....	789,000	10.1
Less than 5 weeks.....	3,311,000	42.4
5-14 weeks.....	2,441,000	31.3
15-26 weeks.....	969,000	12.4
27 weeks and over.....	1,087,000	13.9

PLANT CLOSING SURVEY

Question: The Bureau of Labor Statistics was given $5 million late last year to collect data on plant closing and mass layoffs. Where does this project now stand?

Answer: Currently, 43 States and the District of Columbia are actively involved in the program, and negotiations continue with the remaining seven States. Of the 43 States, eight are operating the program on an ongoing basis, and submitting data quarterly. The individual submittals are undergoing detailed review and validation to ensure that PMLPC specifications have been followed. The BLS PMLPC system for editing, screening, storing, and tabulating the data is under development.

Question: When will you begin to publish these data and with what frequency?

Answer: With the State submittal of PMLPC data in August 1986, we will have at least one year of data--from July 1985 through June 1986--from the eight States initially funded for the

program. These data will be tabulated and analyzed, and a report to Congress will be prepared by December 1986.

The above-described report will most likely be the only publication of PMLPC data, given the program's elimination as of the end of FY 1986. While the remaining 35 States will be submitting two quarters of data as an operational test under the developmental contracts, the validity and quality of these test submittals cannot be assured in advance. In addition, the Bureau will not be staffed for review, validation, and analysis of these submittals.

Question: How will these data help us make policy decisions?

Answers: The PMLPC can address the making of policy decisions in two ways.

First, the program collects a wide array of information on establishments and individuals affected by mass layoffs and plant closing. Detailed information is obtained on the firm, including geographic location, industry, total layoffs and reasons. Similarily, detailed information is collected on insured workers, such as place of residence, age, sex, race, ethnic group, with the claimant tracked longitudinally through the spell of unemployment. At the time benefits are exhausted, the occupation of the claimant is provided along with the other socioeconomic data. The information can be used in analyzing firm decisions on closings and layoffs and on identifying these individuals in need of special assistance.

Secondly, the PMLPC establishes a uniform data base in all States which can be used in special studies or analyses of sub-groups of firms or claimants.

CUTS IN LABOR MANAGEMENT INFORMATION

Question: Please provide a chart for the record comparing presequestered Fiscal 1986 appropriations for all Labor Market Information activities of the Labor Department with Fiscal 1987 budget request levels.

Answer:

Bureau of Labor Statistics
Labor Market Information Activities
(Dollars in thousands)

Program	Presequestered State Portion	Presequestered Total Costs	Request Level State Portion	Request Level Total Costs
Employment, Hours & Earnings Statistics-790	$18,385	$23,756	$19,231	$24,770
Insured Employment & Wages-ES 202	15,889	18,705	15,146	18,098
Occupational Employment Statistics	5,768	7,335	5,143	6,740
Local Area Unemployment Statistics	9,018	12,086	9,433	12,604
Permanent Mass Layoffs and Plant Closings	4,084	5,000	0	0
Total	$53,144	$66,882	$48,953	$62,212

Question: How will reductions in Labor Market Information in Fiscal 1987, particularly in the Employment and Training Administration and the Bureau of Labor Statistics, affect information available for policymakers?

Answer: In BLS, two Labor Market Information programs, the Occupational Employment Statistics (OES) and the Current Employment Statistics (CES) programs, are being reduced in FY 1987. A third, the Permanent Mass Layoffs and Plant Closing program (PMLPC), is being eliminated.

It is difficult to say, at this time, what effect the two reductions will have on the information available. The reduction to the OES program will mean that either the frequency of publication will be reduced or that the level of industrial detail available at the State level will be changed from 3-digit SIC level to 2-digit. In the CES program, some area detail may not be published. However, the full effect of these changes will not be known until cooperative agreements are negotiated with the States in mid-1986.

The elimination of the PMLPC program means that there will be no data on the number of plant closings and mass layoffs and the number of workers involved. Specifically, detailed information on the establishment, including industry and location, the nature of the layoff including specific reasons, and socioeconomic characteristics of the unemployed will not be available.

MONTHLY LABOR REVIEW

Question: Last year you suggested that the Monthly Labor Review might be published quarterly. Do you once again see the need to cut back on this, or on any other publication?

Answer: In Fiscal 1985 the Bureau was required to cut back its printing program in response to Section 2901 of the Deficit Reduction Act of 1984 (P.L. 98-369), which required Executive Branch agencies to achieve savings in specific cost categories, including printing and publishing. Even though this proposed recission was eventually reversed by Congress and the MLR specifically restored in FY 1986, other reductions in these categories continued to be reflected in the Bureau's Fiscal Year 1986 and 1987 budget submissions. At this time, we do not see a need to cut back beyond these reductions.

FUTURE OF MANUFACTURING EMPLOYMENT

Question: In light of the steady decline of our nation's manufacturing base and increased foreign imports, what is your assessment of the future of manufacturing employment in steel, textiles, chemicals, electronics, and other key industries?

Answer: Certain manufacturing industries will show rapid employment gains while others will show virtually no growth or even decline. One strong growth area is electronics, where the domestic computer industry is projected to have large output gains despite rising competition from imports. Demand for computers is expected to be so strong that it will absorb increases in both imports and domestic production. Output will also increase for electronic components and communications equipment. All these industries are projected to have considerable employment gains, although productivity growth will absorb some of the expansion in output. Substantial employment increases are also projected in the manufacture of machinery and instruments.

In contrast to the buoyancy in thee areas just mentioned, employment in the steel industry is expected to decline further as imports and steel substitutions curtail demand for steel production and as productivity gains reduce the demand for steel workers.

In the automobile industry, expansion is limited by demographic changes which have reduced the number of first time car buyers, high sticker prices which discourage frequent replacement, and by imports. Moreover, new plants are relying heavily on computer assisted design and robotic production methods. Thus, the limited increases in domestic output are likely to be accomplished with productivity gains, and industry employment is projected to fall by 1995.

Employment is also projected to drop in apparel and other textile products because of imports and the application of more technological production methods. The chemical products industry is expected to grow in output but, again, productivity gains are expected to check increase in employment.

SERVICE SECTOR

Question: The committee would appreciate learning of the Bureau's plans to implement the Service Sector of the Economy data collection initiative. We would also like to learn of any Hawaii specific information which you might be collecting, as well as that affecting the tourism industry.

Answer: The first major expansion in recent years of data for the service sector occured in 1984, with the publication of 82 additional series in the Current Employment Statistics (CES), sometimes also referred to as the "790" program. Then again in 1985, eight new service sector measures were added to the Employment Cost Index and two to the labor productivity series. In FY 1986 five new productivity measures were published. Most of the service sector expansion for Producer Price Indexes and International Price Indexes is scheduled to begin in 1987 following the completion of developmental work that is underway.

Over the next two years, the Bureau also will be initiating various studies related to the recent growth in the service-producing sector, including one that will examine the occupational implications of this growth and another that will analyze the growth in producer services.

With regard to data specifically for Hawaii, the Hawaiian Department of Labor and Industrial Relations cooperates with the Bureau in the conduct of the Current Employment Statistics, Insured Employment and Wages (ES-202), Local Area Unemployment Estimates (LAUS), and Occupational Employment Statistics (OES) programs in Hawaii. The employment, hours, and earnings data by industry from the CES are published for Hawaii and for Honolulu separately both monthly and annually. These data are released in the Bureau's monthly publication, Employment and Earnings. The ES-202 data on employment and wages by industry from unemployment insurance records are published annually at the State level in the Bureau's publication, Employment and Wages. These data are also available at the county level. The LAUS data are available for Hawaii and separately for Honolulu on a monthly basis. These data are published in Employment and Earings. The OES data are published annually by the State of Hawaii. Although data from these programs include many service sector industries, the Hawaiian tourism industry is not separately identified. One might, however, develop a rough estimate by adding together the employment for industry groups that include employment generated by tourism, such as eating and drinking places, motels and hotels, airlines, and the like. The obvious limitation of such an estimate is that it would also include employment generated non-tourists.

EMPLOYMENT STANDARDS ADMINISTRATION

STATEMENT OF SUSAN R. MEISINGER, DEPUTY UNDER SECRETARY

ACCOMPANIED BY:

CAROL A. GAUDIN, DIRECTOR, OFFICE OF MANAGEMENT, ADMINISTRATION AND PLANNING

NANCY L. RICKER, DIVISION OF FINANCIAL MANAGEMENT

PREPARED STATEMENT

Senator WEICKER. We will now hear from Susan Meisinger, the Deputy Under Secretary for Employment Standards Administration [ESA] at the Department of Labor.

Susan, why don't you introduce those accompanying you, and your statement in its entirety will be included in the record, and then proceed as you wish.

[The statement follows:]

STATEMENT OF SUSAN R. MEISINGER

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today representing the Employment Standards Administration (ESA) of the Department of Labor.

The Employment Standards Administration's FY 1987 budget request for Salaries and Expenses is for $218,976,000 and 3,977 full-time equivalent (FTE) staff years. This represents a net increase of $13,143,000 and 62 FTEs compared to FY 1986 levels. These increases are required to maintain critically needed service delivery and quality assurance for our essential program operations.

The Special Benefits fund request for FY 1987 is for $1,196,600,000 of which $263,600,000 is a direct appropriation to the Department of Labor and of which $933,000,000 are reimbursements from other agencies. The FY 1987 Black Lung Disability Trust Fund request is for an appropriation of $959,445,000.

The FY 1986 estimates, included in our 1987 request, reflect reductions pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). These reductions are $9,291,000 and 130 staff years for salaries and expenses, $22,843,000 for the Special Benefits account, and $6,618,000 for the Black Lung Disability Trust Fund (BLDTF).

In addition, the FY 1986 estimate reflects funding withheld in the amount of $131,000 pursuant to Section 515 of the Treasury, Postal Service, and General Government Appropriations Act, as referenced in the Full-Year Continuing Resolution for 1986 (Public Law 99-190).

In FY 1986, we will continue to place priority on the delivery of efficient and effective services to the public by continuing measures that will reduce or contain overall expenses and increasing attention to productivity improvement in conjunction with the Administration's productivity goals.

The remainder of my statement will address our 1987 request.

Enforcement of Wage and Hour Standards

A total of $76,058,000 and 1,427 FTEs is requested for the Wage and Hour Division to enable the program to respond to complaints on a timely basis and further promote voluntary compliance.

We will continue vigorous enforcement of the wide range of laws that establish standards for wage and working conditions covering virtually all private employment. Our major objective is to achieve compliance by employers through direct enforcement activities and by promoting voluntary compliance. Approximately 79,000 compliance actions will be completed under the wage and labor standards mandates, including the Fair Labor Standards Act, Government Contracts labor standards, and the Migrant and Seasonal Agricultural Worker Protection Act. We continue to support a Youth Employment Opportunity Wage bill as a vehicle for creating new summer jobs for young people. That will help them get the initial work experience so vital for their future employment and earnings.

Federal Contractor EEO Standards Enforcement

A total of $45,935,000 and 910 FTEs is requested for the Office of Federal Contract Compliance Programs (OFCCP) to enable the program to increase compliance reviews, eliminate complaint inventories, and service complaints on a timely basis.

We will continue to fulfill our mission to assure equal employment opportunity by Federal contractors by enforcing the contractual obligations imposed under Executive Order 11246, Section 503 of the Rehabilitation Act of 1973, and 38 U.S.C. 2012. Continued emphasis will be placed on fostering voluntary compliance and maintaining quality control measures. Over 5,000 compliance reviews will be conducted under the Executive Order and the handicapped and Vietnam veterans' mandates. Complaint servicing will be maintained at normal pipeline levels through the completion of approximately 1,000 complaint investigations and resolutions.

Federal Programs for Workers' Compensation

In the Workers' Compensation programs, we will continue to improve the responsiveness and efficiency of all compensation programs. Special emphasis will be placed on quality claimant service, as well as controlling costs and vulnerability to fraud, waste, and mismanagement.

Federal Employees' Compensation Act

A total of $51,634,000 and 913 FTEs is requested to administer the Federal Employees' Compensation Act (FECA) program and enable the program to reduce claims inventories and assure that payments are being made properly.

Implementation of the Level II Federal Employees' Compensation System and its installation in each district office and at the National Office is now scheduled during FY 1987. Special attention will continue to be given to expanded rehabilitation and reemployment of claimants and debt collection activities.

Longshore and Harbor Workers' Compensation Program

A total of $6,912,000 and 144 FTEs is requested for the Longshore and Harbor Workers' Compensation Program to increase the accuracy and timeliness of claims processing activities.

Emphasis will be on improving claims processing and adjudication services. The program will continue the comprehensive technical assistance program for employers, insurance carriers, and covered employees. In FY 1987, the automated case management system, which will be fully operational in all district offices, is expected to improve program productivity.

Black Lung Program

Resources requested for the Black Lung Program are for $24,622,000 and 372 FTEs to enable the program to effectively manage the established caseload. The basic objectives of the Black Lung Program continue to be the timely and accurate determination of

eligibility, the prompt delivery of appropriate benefits and medical services to beneficiaries, and support for the processing of hearings and appeals.

Executive Direction and Support Services

A total of $13,815,000 and 211 FTEs is requested to provide vital support to the major program activities. This activity will continue to provide efficient and effective overall policy development and executive direction in support of ESA's operational programs nationwide. Major attention will be devoted to the Governmentwide productivity improvement goals. EDSS will also continue implementing the Agency's five-year ADP plan for developing an agency-wide management information system.

Conclusion

Mr. Chairman, this concludes my formal statement. The budget request reflects our continuing commitment to protect the interests of workers while keeping the costs for the delivery of these services as low as possible. My staff and I will be pleased to answer any questions which either you or members of the Subcommittee may have.

INTRODUCTION OF ASSOCIATES

Ms. MEISINGER. Thank you, sir.

To my right is Ms. Carol Gaudin, who is the Director of the Office of Management, Administration and Planning, and to my left is Ms. Nancy Ricker, who is the Director of the Division of Financial Management for the Employment Standards Administration.

I am pleased to be here today to discuss the 1987 budget request for the Employment Standards Administration. This request consists of three major parts. One, a salaries and expenses request of $218,976,000, and 3,977 full-time equivalent [FTE] staff years. Two, a request for $959,445,000 for the black lung disability trust fund. Three, a request for $1,196,600,000 for the "Special benefits" account, which has been established to provide benefits to Federal civilian employees and their dependents with job-related injuries.

Of the total request for the "Special benefits" account, $263,600,000 would be a direct appropriation to the Department of Labor, while $933,000,000 would be reimbursement to the Department from other agencies.

In reviewing our 1987 budget request, I know the committee understands that the fiscal year 1986 budget estimates, included in our fiscal year 1987 budget request, reflect the mandated reductions that ESA will take during this fiscal year pursuant to the Balanced Budget and Emergency Deficit Control Act. These mandated reductions will total $9,291,000, and 130 staff years for salaries and expenses, $22,843,000 for special benefits, and $6,618,000 for the black lung disability trust fund.

A comparison of our fiscal year 1987 request and the fiscal year 1986 estimate shows, therefore, a net increase of $13,143,000 and 62 FTE's. They are increases required to maintain the critically needed services and law enforcement operations.

Mr. Chairman, I believe we have made great strides over the past 5 years to improve program operations. We did twice as many employment opportunity compliance reviews as we did 5 years ago. We have dramatically improved the timeliness and quality of claims handling under all workers' compensation programs, including in those offices which have historically been in trouble. We have continued to provide the public with the high quality, effective law enforcement program that has become expected from the Wage and Hour Division.

Moreover, we have done all of this during a period of significant financial stringency. We have hard working, creative, and exceedingly dedicated people in our agency. I am convinced that if Congress approves the President's budget, we can continue to well serve American workers.

This concludes my brief overview. If you have any questions, I and my staff will be pleased to handle them right now.

CLAIMS PROCESSING

Senator WEICKER. I still get complaints about inept and insensitive handling of workers compensation claims by your Boston regional office. Two years ago, the previous Secretary of Labor looked into this matter for me. I am told that while there was some minor improvement in responsiveness to my Connecticut office staff, basically no improvement has been detected in the processing of claims.

Would you be good enough to take another look at your Boston Office of Workers' Compensation Programs, and give me a full report of your findings?

Ms. MEISINGER. Certainly. Our initial first quarter data indicate that they are performing better than they had. It was a troubled office. There has been a substantial effort exercised to improve the operations, virtually the entire management team has been replaced over time.

Within the last week, we received a letter from Senator Cohen saying that he has noticed some improvement in the office. But I would be more than willing to provide some detailed explanation to you.

FECA LEVEL II

Senator WEICKER. Last September, the inspector general issued a third in a series of reports on the trouble-plagued efforts to computerize operations in the Federal Employees' Compensation Act [FECA] Program. The latest inspector general report says, "Our overall assessment of the level II development effort leads us to question whether the system will correct program problems, be cost effective, and be implemented within a reasonable timeframe."

Let me just throw out three questions.

What is your overall assessment of the level II system?

What is your latest cost estimate for completing the system's design and implementation?

Do you intend to follow the inspector general's recommendation that a contingency plan be developed so you won't be locked into the current course of action?

Ms. MEISINGER. That is a big question. There are a number of things that need to be pointed out.

First, in terms of the cost, this is a firm, fixed-price contract, so we don't anticipate changing the overall price of the contract.

In terms of the inspector general report, we have been actively working with the inspector general to identify and correct deficiencies that they have pointed out in the financial management system, which is the part that they really focused on. There are a number of subdivisions within the procurement, but that is the one area that they specifically focused on.

Toward that end, we have been working with the Department, and the Comptroller for the Department, to ensure that our financial management systems comply with the General Accounting Office standards. Again, toward that end, we have brought on, as a consultant, a person whose past responsibility was examining financial management systems for compliance with the General Accounting Office standards.

That consultant has been actively reviewing the procurement documents to determine whether or not the level II management ADP system will comply with those standards.

We did have some disagreement with the assessment by the inspector general, and continue to. But we are working with the inspector general to address those issues.

However, overlaying this entire issue of level II, I think that it is critical that I bring to the attention of the committee, action that I have taken, which, in fact, is being taken this morning, following discussions last night with the president of the contractor, Martin-Marietta. We have sent to the contractor, this morning, a cure letter in which we, generally and as a matter of course, asked for them to respond within 10 days, as to why they should not be found in default of the contract.

This action was generated as a result of two documents we received from the contractor last week in which they indicated that they would like an extension of the time, and something that they described as an equitable adjustment. I interpret equitable adjustment to mean money, and I am not a bank.

So we will begin, in the near future, I am sure, some active discussions with the contractor.

Senator WEICKER. This is a multiyear contract worth an estimated $102 million.

Ms. MEISINGER. I believe our projections are about $75 million. With options that we could exercise, the estimate could be at that level.

FAIR LABOR STANDARDS ACT CASE BACKLOG

Senator WEICKER. Keep us apprised as to how you are coming along with that.

Your budget projects a growing backlog of cases involving violations of minimum wage, overtime, and child labor provisions of the Fair Labor Standards Act.

Are you satisfied with allowing your complaints inventory to grow nearly 40 percent between fiscal years 1985 and 1987? I realize that this is not under your leadership, what is your view of that?

Ms. MEISINGER. The Wage and Hour Administrator, once in place, will report to me, so it is my responsibility.

It is in part a reflection of some of the impact, that we will feel the remainder of this year, under the Gramm-Rudman-Hollings legislation. We are doing everything we can to ensure that the projections we currently have don't come true, basically.

I think that it is important to note also that over the past 4 or 5 years, we have had a steady increase in the number of compliance actions and complaints that we actually investigated. So we are, indeed, increasing the output of the agency.

Also, it is important to note that an inventory is not the same as a backlog. There are always going to be cases in process. There is no way that we will have nothing in the office at any given time.

I would, obviously, like to have them in and out within a reasonable period of time, without problems, so that people can get their back wages immediately.

MEDICAL FEE SCHEDULES

Senator WEICKER. Senator Proxmire.

Senator PROXMIRE. Madam Secretary, since 1980, your inspector general has pushed for the promulgation of maximum medical fee schedule regulations under the Federal Employees' Compensation Act, regulations that would result in substantial savings and a more consistent payment for the same service from different medical providers.

Last year, you told the committee that a new fee schedule was in the works, and the regulations would take full effect in the summer of 1985. The inspector general's September report said that the issuance of the final regulations had been delayed until early in calendar year 1986.

Have those regulations been issued? If not, when do you now plan to publish them?

Ms. MEISINGER. If I say, shortly, I am in trouble. They have been through the Department's clearance process, and they are going through the Office of Management and Budget clearance process. I really do hope that we will have them ready for publication in the Federal Register before the end of the next 2 weeks, with an effective date probably in June.

One thing that has impacted somewhat on our scheduling, and I don't know if the inspector general touched on that, is the Department of the Treasury change to a paper check from the cardboard check which was used in the past. This simple change, for Treasury's purposes, has impacted our ability to compute and process checks for our fee schedule purposes. That is one reason for part of the delay.

FECA REGULATIONS

Senator PROXMIRE. Last year, I also asked you about the FECA procedural regulations, which would clarify a number of issues. Your inspector general has been urging the promulgation of such regulations since September 1983. You told us on February 27, 1985, 1 year ago, that you hoped to have something in the Federal Register within 45 to 60 days.

As of September 30, 1985, the proposed regulations had not even received departmental clearance. Can you tell us where the regulations currently stand, and explain the delay?

Ms. MEISINGER. The regulations have received departmental clearance and are on their way to the Office of Management and Budget. I anticipate, quite frankly, that consistent with normal procedures for the OMB to circulate agency regulations that impact on other agencies, that there may be some delay in the final clearance of this particular set of regulations, since it impacts virtually every Federal agency. However, I don't think that there will be a delay resulting from a problem with the package.

So I hope that they will be published in proposed form within 1 month. We have had a number of meetings with representatives of the impacted employee groups and briefings for an interagency group. I think that it is a good package.

FISCAL YEAR 1985 EQUIPMENT EXPENDITURES

Senator PROXMIRE. I have just one other question.

Last year's budget appendix indicated that you planned to spend $352,000 on equipment, and you actually spent $1,736,000 on equipment. Can you tell us why there was such a very big difference?

Ms. RICKER. The majority of that difference is related to two of our regional offices where GSA is forcing some moves from the currently occupied space to new space. In their space reduction efforts, we, as a part of the departmental effort, bought systems furniture to reduce space. That is part of the change.

The other part was the purchase of Longshore ADP equipment, which we came to the committee and requested reprogramming approval to move it from object class 25, other services, to object class 31, equipment.

Senator PROXMIRE. That is a difference of about 400 percent.

Ms. RICKER. Yes, sir; however, it is only a 69-percent difference from the reprogrammed level.

Senator PROXMIRE. Thank you very much.

Thank you, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Thank you very much. There will be further questions for response to the record.

Ms. MEISINGER. Thank you, Senator.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

FLSA COMPLAINTS BACKLOG

Question: Your budget (page ESA-19) projects a growing backlog of cases involving violations of minimum wage, overtime and child labor provisions of the Fair Labor Standards Act (FLSA). How much will this increase the waiting time for those filing complaints?

Answer: The average waiting time for a complaint to be investigated is approximately 3-4 months. However, waiting time varies considerably among area offices. In some offices the waiting time for complaints to be investigated is as little as 2-3 weeks. If the inventory does rise to the level indicated we estimate that the waiting time could be increased by about 4-6 weeks.

Question: How much would your budget have to be increased to hold the FLSA backlog at the fiscal 1985 level?

Answer: An additional $1.2 million to finance 30 additional compliance officers would be needed to maintain the complaint inventory at the FY 1985 level. However, it is felt that the inventory levels projected for fiscal years 1986 and 1987 can be handled effectively at the reduced budget levels.

BLACK LUNG/MEDICAL COSTS

Question: Medical care costs are consuming a growing share of Black Lung Trust Fund expenses. According to the Congressional Research Service, they now take 16 percent of the Trust Fund's money. Given the financial pressures on the Trust Fund, are you planning any medical cost control initiative for the Black Lung program?

Answer: Much of the increase in medical care expenditures in the Black Lung program, which have equalled approximately 15 percent of benefit disbursements in each fiscal year from 1983 onward, is attributable to reimbursement to other payors, especially the United Mine Workers Health and Retirement Funds, for black lung related medical care for our beneficiaries which was provided in prior years. A similar retroactive reimbursement process with the Health Care Financing Administration (Medicare) is now underway.

With regard to current expenditures for black lung related medical care, cost containment initiatives have been underway for the past several years. In January 1985, revised procedures for the approval of Certificates of Medical Necessity for such services were implemented at the same time. In May 1985, a new services contract was awarded. That contract includes detailed specifications concerning the automated processing of bills for black lung related treatment and diagnostic services. The contract, which began operation on October 1, 1985, provides for more consistent implementation of program requirements concerning the appropriate linkages between diagnoses and procedures and the implementation of maximum allowable fees than were achieved under the Program's previous bill processing arrangements.

Question: Would extension of your cost control system for the Federal Employees' Compensation Act program be an appropriate starting point?

Answer: Some aspects of the Black Lung Program's medical cost containment program are similar to measures undertaken or planned for implementation in the Federal Employees' Compensation Act (FECA) Program. However, the differences between the statutory and regulatory bases for the two programs and, more importantly, differences between their beneficiary populations, require a somewhat different approach to be taken in the Black Lung Program.

The FECA covers the full range of traumatic injuries and occupational diseases encountered in all aspects of Federal employment. Black lung medical coverage is limited to certain chronic respiratory conditions and some related cardiac problems arising from coal mine dust exposures. FECA beneficiaries are generally of working age and are scattered throughout the United States and abroad. Black lung beneficiaries are generally significantly older and are concentrated in rural Appalachia.

Virtually all black lung beneficiaries are Medicare or Medicaid eligible and roughly one-third of the eligible miners receive their general medical care under fringe benefit arrangements negotiated between the Bituminous Coal Operators Association and the United Mine Workers of America (UMWA). These benefits are administered by the UMWA Health and Retirement Funds. Because of these factors, medical cost containment efforts in the Black Lung Program are being implemented based on on-going consultations with the UMWA Health and Retirement Funds and are intended to be compatible with Medicare procedures.

MINORITY HIRING RULES

Question: President Reagan appeared to indicate in a recent press conference that he thought affirmative action programs sometimes become quota systems because bureaucrats found quotas easier to administer than flexible goals and timetables. Do you see any evidence in your office of Federal Contract Compliance Programs (OFCCP) that rigid quotas are being set for hiring women and minorities?

Answer: No, we have not found any evidence of quotas being set for hiring women and minorities in OFCCP.

Question: What efforts are being made to insure that goals don't get converted into rigid and inflexible quotas?

Answer: As you know, OFCCP's regulations specifically forbid the use of quotas. Executive Order program goals and timetables are not just another name for the quota system. A quota system establishes a rate of placement that must be met, no exceptions, no excuses. As was seen in the Bakke case, such rigid requirements are illegal.

Goals and timetables, as used by OFCCP, are not inflexible quotas, but are targets that a contractor takes good faith efforts

to meet. Title 41 CFR 60-2.14 states that "no contractor's compliance status shall be judged alone by whether or not it reaches its goals and meets its timetables. Rather, each contractor's compliance posture shall be reviewed and determined by reviewing the entire content of its program, the extent of its adherence to this program, and the good faith efforts to make its program work toward the realization of the program's goals within the timetables set for completion. . ." OFCCP regulations further state, at 41 CFR 60-2.30 that:

> "The purpose of a contractor's establishment and use of goals is to ensure that it meets its affirmative action obligation. It is not intended and should not be used to discriminate against any applicant or employee because of race, color, religion, sex or national origin."

To ensure that this and other regulatory provisions are followed, OFCCP audit teams periodically visit the field and audit the work conducted there. In addition, case files are submitted to the National Office for review.

Question: If Federal contractors no longer had to set goals and timetables to make "good faith efforts" to achieve them, how else could we have an effective affirmative action program?

Answer: As I have stated right along, goals and timetables are important in that they provide the contractor with direction in the implementation of the affirmative action program. I wouldn't want to speculate on the contours of a program that didn't utilize goals.

ENFORCEMENT OF WAGE AND HOUR LAWS

Question: Last year Congress rejected your proposal to eliminate 50 positions that had been previously added by Congress for the expanded Special Targeted Enforcement Program in the Wage and Hour Division. Please explain the purposes and current status of the "Special Targeted Enforcement Program" in the Wage and Hour Division.

Answer: The Special Targeted Enforcement Program (STEP) was established to strengthen labor standards enforcement in order to remove the economic incentive for employers to hire and exploit illegal alien workers. The close working relationship we maintain with the Immigration and Naturalization Service enables us in many cases to investigate employers who are known to employ illegal alien workers. Their cooperation, and the information they provide, permits us to target those industries and geographic areas where illegal alien workers are utilized.

We conducted 17,287 STEP compliance actions in FY 1985 and expect to complete 17,900 STEP actions in FY 1986. In FY 1985, STEP investigations disclosed $39.6 million in underpayments and resulted in employer's agreements to pay back wages totaling $28.5 million.

Question: What has been the impact upon compliance/enforcement of Wage and Hour and Child labor Standards staff reductions at the Department of Labor?

Answer: Reduced employment levels for FY 1986 are having minimal impact on expected results. In FY 1985, we completed 66,943 FLSA compliance actions and expect to complete 66,500 in FY 1986. In FY 1985, we obtained agreements to pay $80.1 million for 396,000 employees while in 1986 we estimate $82.4 million for 360,000 employees. Similarly, in FY 1985, we found 9,836 minors illegally employed and in FY 1986 we anticipate finding 8,300 minors.

In FY 1987, we have slight increases in our program goals despite the loss of one position. We will accomplish this by using vacant managerial and support positions to hire additional compliance officers.

DAVIS-BACON ACT BACKLOGS

Question: You project that the complaints in inventory under the Government Contract Labor Standards program will grow from 2,430 in fiscal 1985 to 3,300 in fiscal 1987. What will the impact be of this growing backlog?

Answer: Investigation work on government contract complaints is generally started within 30 to 90 days after receipt. At any point in time, the vast majority of the complaints in inventory are being investigated. The projected growth in inventory will not significantly affect the time in which the investigation of complaints are initiated or completed. We estimate that the additional time required as a result of the growth in inventory would not exceed 30 days. Every effort will be made to keep the inventory at or below the level estimated for FY 1987.

Question: What would it cost, over and above your budget request, to keep the Government Contracts backlog at fiscal 1985 levels?

Answer: An additional $500,000 to finance 12 additional compliance officers would be needed to maintain the government contract complaint inventory at FY 1985 levels. However, we believe the inventory levels projected for fiscal years 1986 and 1987 can be handled effectively at the reduced budget levels. A complaint inventory of 3,300 in the government contracts program does not represent an adverse impact on the public.

IMPACT OF SUBMINIMUM WAGE

Question: You have estimated that 400,000 jobs would be created by enactment of legislation permitting employers to pay youth only $2.50 per hour during the summer months, instead of the $3.35 minimum wage. How many jobs do you estimate would come at the expense of adults now earning the minimum wage--many of whom are women and heads of low-income families?

Answer: The Youth Employment Opportunity Wage (YEOW) was designed to include safeguards and strong sanctions to forestall the problem of youth taking jobs from either adults or other youth earning higher wages than proposed by YEOW. Since the program is limited to summertime employment, businesses would not profit by laying off permanent workers each year to hire youth during the

summer months. Moreover, the jobs suitable for the YEOW program would be low level entry jobs and not the type of jobs that adults typically hold. The provisions of YEOW, with an upper age limit of 19 and with a prohibition against displacement, would guard against adults losing their jobs to youth.

Question: How many youth now earning the minimum wage would find their salaries cut by 25 percent?

Answer: The proposed Youth Employment Opportunity Wage Act would prohibit an employer from reducing the wage rate below $3.35 an hour for youth employed by the employer at any time during the 90-day period prior to May 1 of each year the program is in effect. Thus, any youth currently making the minimum wage would be assured of receiving that wage and the full protection of the Act.

Question: Why are you not requesting additional compliance officer staff to signal employers that you mean business about enforcing the law against those who would demote or fire existing employees?

Answer: We currently enforce over 80 laws and conduct more than 69,000 investigations each year. Checking for displacement will become a part of the regular investigative procedures. Compliance Officers would review the same payroll and employment records, interview the same employees, and essentially conduct the same investigation that we currently perform under existing laws.

The reality of the workplace is that business firms need experienced workers. Employers generally are reluctant to separate full-time employees who have completed training, are familiar with the firm's operations, and are otherwise satisfactory employees. Since the $2.50 minimum wage can be used for only five months out of the year it would not be good business practice to replace experienced workers for a limited period of time.

RAISE THE MINIMUM WAGE

Question: It has been more than five years since the minimum wage was set at $3.25 an hour. Since then, inflation has gone up 25 percent. Isn't it time to start talking about raising the minimum wage for adults, instead of lowering the minimum wage for youth?

Answer: In view of the continuing pockets of unemployment in certain areas of the United States and among some demographic groups and the economic growth in the country, we do not believe that this is an opportune time to raise the minimum wage. With the overall unemployment rate at 6.7 percent and the black teenager rate at 41.9 percent, we must broaden the job opportunities for these potential workers. One of the areas we feel is essential to reducing unemployment is the enactment of the Youth Employment Opportunity Wage Bill which would ensure the maximum opportunity for the group having the most difficult problems in obtaining employment, the teenager.

Question: How many workers do you estimate still live below the Government's official threshold of poverty?

Answer: The latest figures we have indicate that there were 5.45 million full-time workers 15 years and over who had an income below poverty level.

COMPUTERIZATION OF WAGE RATE DETERMINATION PROCESSES

Question: What is the current status of the effort to computerize the data gathering and prevailing wage rate determination processes under the Davis-Bacon and McNamara-O'Hara Service Contract Acts?

Answer: The automation of wage determination processing by Wage and Hour will be accomplished in a three part process.

The first part of the wage determination process to be automated was completed during FY 1985. This first stage included the automation of a tracking, sorting and management information system for handling wage determination requests under both the Davis-Bacon (DB) and Service Contract (SCA) Acts. This new system also tracks the status of DB wage surveys from their planning stage through completion, as well as providing daily workload information to Wage and Hour management. The system has been operational for about six months and has been extremely useful in tracking wage determination requests, as well as being a management tool used for reallocating resources to meet workload requirements.

The second and third parts of the wage determination computerization will be developed as part of the Wage Hour Management Information System (WHMIS) Phase III design and development effort. The second stage of the wage determination automation will involve the computerization of regional wage survey management and data calculations. The third and final phase of wage determination automation will provide computerized assistance to the National Office preparation of the actual wage determinations for both the Davis-Bacon and Service Contract programs.

A conceptual design for the new survey and wage determination systems is scheduled for completion in mid-1987, with full development and implementation scheduled for 1988 and 1989.

Question: Please provide for the record a history of this effort (computerization of the Davis-Bacon and Service Contract Act wage determination process) and a statement of costs for the several phases of this innovation.

Answer: The initial effort to automate the Davis-Bacon and Service Contract Act wage determination process occurred during the 1970s. No detailed historical information on this initiative was retained at that time. However, as a result of design, development and implementation problems, the system never became operational.

The origin of the current effort was a 1984 in-house analysis of program needs and objectives, and a contractor needs assessment for program automation. This effort has taken advantage of

available Department hardware, and has emphasized full staff participation in systems design.

In connection with the current project, a tracking and information system for handling wage determination requests for both the Davis-Bacon (DB) and Service Contract Act (SCA) has been operational since mid-1985. This new system also tracks the status of DB surveys as well as providing daily workload information to Wage and Hour management. The cost to design and implement this system was $158,000.

Two additional Government Contracts automation efforts are underway. A contract is expected to be awarded in March 1986 for the conceptual design of a fully automated regional wage survey subsystem and a design for a National Office wage determination processing system. This conceptual design effort is scheduled to be completed in one year at a cost of about $275,000.

Questions Submitted by Senator Mark O. Hatfield

REFORESTATION CONTRACTORS - ILLEGAL ALIENS

Question: In November 1985, the Labor Department responded in an inadequate manner to the letter signed by myself and six other Senators (October 24, 1985) urging compliance with Judge Burns' decision relating to the employment of illegal aliens by reforestation contractors. Please provide a more detailed response for the record.

Answer: In the response to your letter dated November 13, 1985, it was noted that Judge Burns of the United States District Court had not entered a final order in Bresgal et al. v. Brock and, therefore, no determination has been made concerning the appropriateness of an appeal. This situation, as of this writing, has not changed.

Question: The U.S. District Court for the District of Oregon on October 1, 1985, ruled that forestry contractors and workers are subject to the Migrant and Seasonal Agricultural Worker Protection Act with respect to the hiring of illegal aliens. Why has the Department of Labor decided to appeal this decision?

Answer: The United States District Court has not yet entered a final order in Bresgal et al. v. Brock, therefore, the Department has not made a determination concerning the appropriateness of an appeal.

Question: Does the Department of Labor believe that illegal aliens employed by reforestation contractors do not deserve the same considerations as illegal aliens involved in other types of agricultural work?

Answer: It is the Department's position that reforestation workers (including illegal alien workers) employed by reforestation contractors to perform reforestation work are not agricultural workers within the meaning of the Farm Labor Contractor Registration

Act (FLCRA) (now repealed) or the Migrant and Seasonal Agricultural Worker Protection Act.

MSPA ENFORCEMENT

Question: How many employees does the Department of Labor use to enforce the Migrant and Seasonal Agricultural Worker Protection Act?

Answer: The Employment Standards Administration's Wage and Hour Division of the Department of Labor is responsible for enforcement of the Migrant and Seasonal Agricultural Worker Protection Act (MSPA). The Division has a staff of more than 900 compliance officers located throughout the nation who conduct investigations to assure compliance with the provisions of MSPA and other statutes administered by the Wage and Hour Division. All compliance officers are trained in all the laws enforced including MSPA. About 40 Compliance Officer full-time equivalent (FTE) staff years are utilized for direct enforcement of MSPA, of which 20 are Farm Labor Specialists who are dedicated almost exclusively to farm labor enforcement and related activities. These twenty Farm Labor Specialists, who are assigned to areas having large numbers of agricultural workers, provide expertise, leadership and training to the compliance staff. Their duties include coordinating and conducting agricultural investigations; serving as staff advisors to regional and area officials; conducting technical assistance and public information programs, and coordinating agricultural activities and referrals with the Occupational Safety and Health Administration, U.S. Employment Service, and other Federal and State agencies with farm labor responsibilities.

Question: What portion of the Department of Labor's budget contributes to the enforcement of the Migrant and Seasonal Agricultural Worker Protection Act?

Answer: Wage and Hour does not maintain a specific line item for MSPA enforcement.

REFORESTATION CONTRACTORS - ILLEGAL ALIENS

Question: What is the Department of Labor's estimate of the funds necessary to aggressively enforce the Migrant and Seasonal Agricultural Worker Protection Act with respect to the employment of illegal aliens by reforestation contractors?

Answer: We estimate that the number of workers employed by reforestation contractors is relatively small in relation to the total agricultural workforce covered under MSPA. We believe, therefore, that necessary staff could be diverted within existing resources to enforce the law with respect to reforestation workers if the decision is ultimately made that MSPA covered such workers.

Question: Why has the Department of Labor opposed Congress' attempts in the past to include funding in their budget to enforce the Migrant and Seasonal Agricultural Worker Protection Act as it relates to the employment of illegal aliens by reforestation contractors?

Answer: The decision was based on the Department's long standing position that reforestation workers (including illegal aliens employed by reforestation contractors) were not covered by the FLCRA (now repealed), or the MSPA, currently in effect.

Questions Submitted by Senator Mark Andrews

ENFORCEMENT OF WAGE AND HOUR STANDARDS

Question: With respect to the Enforcement of Wage and Hour Standards program, how does the Administration go about ensuring voluntary compliance? What has your success rate been in this area?

Answer: The Wage and Hour Division provides technical assistance to employers to assist them in achieving compliance with the law. Our National and field staffs regularly attend meetings of employer trade association, trade unions, and other public interest groups giving speeches and participating in seminars. Additional information is communicated via telephone, correspondence and the distribution of various publications. As a further example, when the 1985 Amendments to the Fair Labor Standards Act, adding special provisions concerning volunteers, compensatory time off and various other employment practices for State and local government employees, were passed, a toll free 800 line was established and some 5,700 calls have been responded to. Also, more than 5,000 letters requesting information were answered. We are currently in the process of mailing summaries of the law to over 83,000 units of State and local government.

The latest reliable information indicating the level of compliance was the report issued in 1981 of the Minimum Wage Study Commission. This report indicated that 13 percent of establishments subject to the FLSA were in violation of its monetary provisions.

Question: You are estimating the same number of complaints under Wage and Hour standards for FY 1986 and FY 1987. You are also estimating an increase in the number of complaints that will be resolved. Although your request seeks an increase in funding for the program, the level of full time employees would decrease by one. Could you clarify for this subcommittee how you intend to achieve the aforementioned results based on your budget request?

Answer: In FY 1986, the Wage and Hour Division will reach its budgeted full-time equivalent (FTE) level of 1,428 through attrition. The attrition is expected from both compliance officer and management and support positions. When these vacancies are refilled in FY 1987, the mix of Compliance Officers to management and support staff will change so that there will be more compliance officer FTEs in FY 1987 than FY 1986. This will be accomplished through the elimination of some of the vacant management and support positions.

PENSION BENEFIT GUARANTY CORPORATION

STATEMENT OF KATHLEEN P. UTGOFF, EXECUTIVE DIRECTOR

ACCOMPANIED BY:

ROYAL S. DELLINGER, DEPUTY EXECUTIVE DIRECTOR FOR INSURANCE PROGRAMS

HENRY R. THOMPSON, DIRECTOR, CORPORATE BUDGET DEPARTMENT

PREPARED STATEMENT

Senator WEICKER. Our next witness is Kathleen Utgoff, Executive Director of the Pension Benefit Guaranty Corporation [PBGC].

Why don't you introduce your colleagues, and your statement in its entirety will be placed in the record. You might want to give us a short synopsis.

[The statement follows:]

Statement of Kathleen P. Utgoff

I am pleased to appear before you today to present the Fiscal Year 1987 budget for the Pension Denefit Guaranty Corporation (PBGC).

The PBGC is a self-financing, wholly owned government corporation that provides vital insurance protection to more than 38 million active and retired workers in over 112,000 private defined benefit pension plans. Covered plans are required by law to pay a premium that is the PBGC's major source of revenue. Although we receive no annual appropriations from the Congress, the PBGC's revolving fund is part of the Federal budget and there is a limitation on the amount of our resources that may be used for administrative expenses.

The FY 1987 Budget Request

The PBGC's FY 1987 budget request is divided into three activities: Obligations for Benefit Payments, Financial Assistance, and Program Administration.

The budget includes $289.6 million to provide benefit payments to vested participants and beneficiaries for FY 1987. This amount is based on our projections that by the end of the fiscal year covered by this budget, the PBGC will be responsible for 216,000 vested participants in 1,400 terminated plans. This amount is an increase of $37.4 million over our current FY 1986 estimate and reflects the increasing number of participants in PBGC-trusteed plans.

The budget includes $3.1 million for the PBGC to provide financial assistance payments to insolvent multiemployer plans that are expected to become unable to pay guaranteed benefits when due to vested participants. The FY 1987 estimate exceeds our current estimate for FY 1986 by $600,000.

For program administration functions, the budget includes $36,874,000 and 490 FTE's. This level of administrative resources will enable us to reduce our backlogs of termination cases and to increase the

number of plans for which the PBGC has in-house benefits administration responsibility. The increases will also enable us to improve premium collections and to cover additional litigation expenses.

FY 1985 Significant Accomplishments

In FY 1985, the PBGC received 8,635 termination notices, up from about 7,600 in FY 1984. The number of cases processed in FY 1985 increased to about 7,500, up from 5,800 in FY 1984. This represents a 29% increase over FY 1984, and is more than double the number of cases closed in 1980.

In response to the Grace Commission's recommendation, the PBGC accelerated premium collection from large plans, which will result in additional interest income each year.

The PBGC and the Internal Revenue Service worked together to assure that the minimum funding waiver of approximately $175 million granted the LTV Corporation was adequately collateralized, thereby protecting the insurance system as well as plan participants.

In FY 1985 the PBGC reached an agreement to settle its claims against White Motor Corporation for a single cash payment of $15 million, which is the largest cash settlement in the PBGC's history.

The PBGC has increased efforts to assure that benefits to retirees are not interrupted, for example, in cases in which a plan is abandoned by the plan sponsor. During FY 1985, the PBGC went to court to involuntarily terminate and become trustee of a plan in order to restore pension benefits to retirees.

The PBGC also instituted a voluntary Enrolled Actuary Certification Program that, when elected by plan administrators, will reduce the paperwork and the PBGC's processing time for sufficient plan terminations.

FY 1987 Goals

The PBGC has two key goals for FY 1987 that are reflected in the budget we are presenting today: first, to improve the financial condition of the PBGC and, second, to more effectively handle an increasing workload. To achieve these goals, the PBGC is committed (1) to seek, on behalf of the Administration, a premium increase and needed reforms for the single-employer program; (2) to continue efforts to reduce the case processing and benefit payments backlogs and (3) to improve the efficiency of our operations.

Financial Condition

Last year, the Administration proposed a single-employer premium increase to $7.50 per participant per year effective January 1, 1985. The equivalent, effective January 1, 1986, would be $8.10.

Based on an $8.10 premium, the PBGC projects FY 1987 premium income of $279.9 million, $43.8 million of related investment income from Government securities and other income of $0.3 million, for a total of $323.9 million. We estimate our total expenses for FY 1987 at $395.8 million, of which $37.9 million is for administrative expenses. With a premium increase to $8.10, we project that the PBGC will incur an operating loss of about $70 million in FY 1987. Thus our deficit would increase by that amount. Without a premium increase, the operating loss and deficit increase would be about $270 million. In addition, cash flow would be negative, thereby adding to the Federal deficit.

The actual single-employer deficit as of September 30, 1985, is reported in the FY 1987 budget at $1.3 billion, more than double the projected figure. We are now analyzing the impact of the FY 1985 claims experience on our premium needs. Clearly, the current $2.60 premium is too low to sustain the program.

Program Reforms

Along with its premium request, the Administration has proposed program reforms that are desperately needed to assure that PBGC can continue to provide the

retirement security that Congress intended when it created the program. Briefly, these reforms would

- o limit access to PBGC insurance funds to cases involving employer financial distress;
- o increase the amounts owed to the PBGC by employers that terminate underfunded pension plans; and
- o require security in favor of the plan as a condition for granting a minimum funding waiver.

The Conference Report on H.R. 3128, the reconciliaton legislation now before the Congress, includes a compromise reform package as well as a single-employer premium increase to $8.50 per participant.

Workload

Our second goal in the FY 1987 budget is to handle an increasing workload and reduce several critical backlogs with only a slight increase in resources. While our receipts of insufficient terminations have remained relatively stable at about 100 cases per year, our backlog of cases to be processed remains high -- currently we estimate it to be equivalent to more than three years' processing capability. Because this backlog may have adverse financial effects, we have requested additional resources to enable us to make sustantial progress toward reducing our backlog to a more desirable level of one year's processing capability.

As more plans are trusteed by the PBGC, we become responsible for benefit payments to an increasing universe of participants, and our benefits administration workload continues to increase. At the end of FY 1985, the PBGC was responsible for the payment of benefits to more than 168,000 vested participants in some 1,200 terminated plans of which the PBGC is now or will become trustee. Some 800 of these plans are administered in-house, but the remaining 400 plans are awaiting assumption of full benefit payment responsibility by the PBGC. To handle

this increasing workload and reduce the backlog, the Corporation is requesting additional contractor support for the initial processing of participants as they are added to our rolls.

Sufficient plan terminations have been increasing dramatically in recent years. Since 1980, annual receipts of sufficient terminations have increased steadily, from 3,933 plans in FY 1980 to 8,635 cases in FY 1985. This growing workload has resulted in inventories that are too high. The Corporation has addressed this increasing workload in several ways. Two programs -- the Enrolled Actuary Certification Program and a new sample audit program for certain cases -- will increase case processing productivity by an estimated 25%. In spite of this productivity gain, however, our growing receipts will still result in an excessively high inventory. Therefore, our FY 1987 budget includes resources for sufficient case processing at a level that will allow us to reduce the inventory to an acceptable level within three years.

Management Improvements

There are several other areas in which the Corporation will benefit from management improvements contained in the FY 1987 budget. "Project Computers", a multifaceted information resource management system, will be fully implemented by the beginning of FY 1987. This system will eliminate more than $1.5 million in annual timesharing costs and will increase our efficiency and accuracy in processing data. We will continue our implementation of the accelerated premium collection program that was initiated in FY 1985. Based on the current $2.60 premium, the program will generate over $4 million in additional interest income each year. Our FY 87 budget includes additional resources for premium collection activities which we believe will be more than offset by increased revenues from premium collections and penalty and interest payments on delinquent amounts.

Conclusion

The PBGC has a history of conscientious and effective administration of the guarantee program that

protects millions of American workers. With legislative reforms, a premium increase and the management initiatives outlined in our FY 1987 budget plan, I am confident that in FY 1987 we can continue to improve the efficiency of our operations and the financial condition of this vital program.

Thank you, Mr. Chairman, for the opportunity to testify today. I will be happy to answer any questions that you and the Committee members may have.

INTRODUCTION OF ASSOCIATES

Ms. UTGOFF. Thank you, Mr. Chairman.

I am here to present the budget request for the PBGC for fiscal year 1987. With me, I have my Deputy, Royal Dellinger, and my Budget Director, Henry Thompson.

The PBGC provides vital insurance protection to more than 38 million active and retired workers in over 112,000 private defined benefit pension plans. Covered plans are required by law to pay a premium that is the PBGC's major source of revenue.

Although we receive no annual appropriations from the Congress, the PBGC's revolving fund is part of the Federal budget and there is a limitation on the amount of our resources that may be used for administrative expenses.

At the end of fiscal year 1985, the PBGC was responsible for benefit payments to about 168,000 people in pay status. The vested participants in terminated plans number is expected to increase to 214,000 by the end of fiscal year 1987.

The PBGC's fiscal year 1987 budget request of $329 million is divided into three activities—obligation for benefit payments, financial assistance, and program administration. Our deficit, at the close of fiscal year 1985, was $1.3 billion, and it is growing.

We are currently adding to the Federal deficit, and without a premium increase, we will continue to do so. The administration has proposed both a premium increase and program reforms to assure that the PBGC can continue to provide the retirement income security that the Congress intended when it created the program.

Basically, the reforms that are needed are:

One, to limit access to PBGC insurance funds to cases involving employer financial distress;

Two, increase the amounts owed to the PBGC by employers that terminate underfunded pension plans; and

Three, require security in favor of the plan as a condition for granting minimum funding waivers.

The budget reconciliation legislation that is now before Congress includes a compromise reform package, as well as a single employer premium increase to $8.50 per participant. Our budget request assumes an $8.10 premium, which is the equivalent of the administration's request of $7.50 effective the first of the 1985 calendar year.

We are reassessing our premium needs in light of the extremely large claims that we had in the last year when we absorbed about $600 million in claims from two large cases, accounting for almost one-half of our $1.3 billion deficit.

Our 1987 budget is designed to handle an increasing workload and reduce several critical backlogs, with only a slight increase in resources. We currently have an excessive backlog of both sufficient and insufficient cases. This is true despite a 29-percent increase in the number of cases processed last year.

We expect that our new Enrolled Actuary Program, and a new Sample Audit Program for certain cases will increase case processing productivity by 25 percent. We are requesting the resources needed to reduce backlogs to a more acceptable level. These resources will help reduce delays in adjustment of benefit payments to correct levels.

PBGC has also taken steps to improve our cash flow. We have accelerated the due date for the premiums paid by large plans as recommended by the Grace Commission. This will generate an additional $4 million in interest income each year at the current $2.60 premium, and $12.5 million at the $8.10 level.

We also have secured contractor assistance to identify delinquent premium payers.

In conclusion, let me say that the PBGC has a history of conscientious and effective administration of the guaranty program that protects millions of American workers. With legislative reforms, a premium increase, and the management initiatives outlined in our fiscal year 1987 budget, I am confident that in fiscal year 1987, we can continue to improve the efficiency of our operations, and the financial condition of this vital program.

Thank you, Mr. Chairman.

LARGE PLAN TERMINATIONS

Senator WEICKER. Thank you very much.

What was unusual? You said you had some heavy obligations thrown on you in this past year.

Ms. UTGOFF. Yes.

Senator WEICKER. What?

Ms. UTGOFF. In particular, two plans terminated, the termination of the Allis-Chalmers plan, and the termination of the Wheeling-Pittsburgh plan, which increased our deficit by $600 million. We had projected a deficit of over $500 million at the end of the last fiscal year, and it was actually $1.3 billion.

Senator WEICKER. How much of that was Wheeling-Pittsburgh?

Ms. UTGOFF. Between $400 and $500 million.

Senator WEICKER. This has nothing to do with this hearing, but I will tell you. I guess 3 or 4 years ago, I stood up on the floor of the U.S. Senate, and did everything I could to block an Economic Development Administration [EDA] loan in that situation, and I warned of the consequences of it.

It was, from a personal point of view, one of my more unsatisfactory moments since I was ruled out of order by the Chair. I got a little excited on the issue. But, here we are. Not only is the EDA loan shot, but now $500 or $600 million more that the taxpayers have to bear up.

The thing that bothers me, because I think the concept of EDA was great, is that everybody uses EDA as a political tool, and now the taxpayer has to absorb this.

Ms. UTGOFF. Actually, EDA is in a better position in this case, although a bad one, than we are. The EDA is a secured creditor. After many years of minimum funding waivers, Wheeling-Pittsburgh was granted an exception from the funding standards and put no money into the plan, which is, in essence, an unsecured loan from us, guaranteed by us. We now find ourselves in the position of an unsecured creditor for a very large amount of money that we have little prospect of recovering.

Senator WEICKER. You are going to pursue it? Whatever your status is, you are going to pursue it aggressively against Wheeling-Pittsburgh?

Ms. UTGOFF. Very aggressively.

Senator WEICKER. Dennis Carney, is that a name that you are all familiar with?

Ms. UTGOFF. Yes.

Mr. DELLINGER. He is no longer the chairman.

PREMIUM INCREASE LEGISLATION

Senator WEICKER. What about the business of the premium increase, is that something you need?

Ms. UTGOFF. Yes; we need it immediately, and we need the reforms even more. We are continuing to have large losses from the loophole that the current law allows, and to suffer abuses like Wheeling-Pittsburgh and Allis-Chalmers.

Senator WEICKER. Who takes care of this business?

Obviously, we don't legislate in this committee. Who takes care of the premium increase, allowing for that, and who takes care of the reforms?

Ms. UTGOFF. Both the premium increase and the reforms are now part of the reconciliation package.

Senator WEICKER. But let's assume that that doesn't go anywhere, then what?

Ms. UTGOFF. Then it would very quickly have to be separated as a separate piece of legislation and passed quickly.

OUTLOOK FOR NEXT YEAR

Senator WEICKER. Do you have anything that you are apprehensive about, that you possibly see of a similar nature this year coming over the hill?

Ms. UTGOFF. We have several industries that we are looking at, the airline industry in particular and the steel industry, to watch companies that have underfunded benefits, and to watch what happens in those industries.

We have known for years that we have exposure in certain industries.

REDUCING BACKLOGS

Senator WEICKER. Your budget justification indicates that going into fiscal year 1987, you expect to have a 3-year backlog of insufficient plan termination cases. Do you think that the extra 10 staff that you are requesting will allow you to get the backlog down to a reasonable level by the end of fiscal year 1987?

Ms. UTGOFF. The extra 10 staff will not be the method to get the backlog down. What we are asking for is additional money to have outside contractors to do, in essence, some of the routine calculations that are necessary to get all the paperwork done to put people in final pay status.

Based on the workload that we projected at the time we did the budget, we projected that with the budgeted contractor level in place for several years, we would very slowly reduce the backlog to an acceptable level. However, we are now running above that caseload so that we may not, even with the additional funds, achieve the original objective, which was to get down to a reasonable level.

Senator WEICKER. What do you think you need in the way of staff to achieve that level, over and beyond the 10?

Ms. UTGOFF. We can get back to you on that, but right now what we need is some indication of the reasonableness of our assumptions on productivity increases associated with the Enrolled Actuary Program. The only way we can get to the acceptable level is if the Enrolled Actuary Program that we have just instituted in the last few months works as well as we think it is going to. We think that we are going to have a 25-percent increase in case processing productivity because of this Enrolled Actuary Program.

We would need to go back and see how that has done, and then find out how much additional money would be needed.

Henry, you might have some additional thoughts on that.

Mr. THOMPSON. In view of the Enrolled Actuary Program, we viewed the backlog as an unusual temporary 3-year workload. We felt that the appropriate approach to reducing the backlog under the circumstances would be to use contractors because we concluded that the level of corporate staff that we currently have, would be adequate to handle the current volume thereafter.

Senator WEICKER. We will have to see how that works.

Ms. UTGOFF. The actuarial work for the Wheeling-Pittsburgh case alone is going to be on the order of $2 million, just the actuarial calculations to review the cases of the 20,000 participants, and that doesn't account for any of our legal work. It will be several years of legal work. It is just the actuarial calculations needed to make sure that each participant is getting what he is entitled to under the law, and that will be $2 million.

Senator WEICKER. Senator Specter.

Senator SPECTER. Thank you very much, Mr. Chairman.

With respect to the Wheeling-Pittsburgh situation, is there any chance that the obligations of your corporation will be eased as a result of an upturn, if there is one, in their chapter 11 proceedings?

Ms. UTGOFF. What now has to be done is that the creditors, basically, have to decide how to get the company out of bankruptcy.

We are an ex officio member of the Unsecured Creditors Committee, which is not a terribly official standing. It is a question of dividing the pie and keeping the company going.

I am not sure if I have answered your question.

Senator SPECTER. They are going through chapter 11 now, which means that they can't pay their creditors, and they need a reorganization. But their thrust is to reorganize and stay in business.

Ms. UTGOFF. Yes.

Senator SPECTER. So, if they are successful in that, they may be in a position to pay their creditors, and they may be able to reestablish themselves.

Ms. UTGOFF. Right.

Senator SPECTER. If they are successful in that, the obligations which fall to the Pension Benefit Guaranty Corporation will not be actualized. You won't have those obligations.

Ms. UTGOFF. No; the company has filed to terminate the plan. They want to reject it as part of the collective bargaining agreement. We are in disagreement about what the termination date is. Nothing that will subsequently happen will, in fact, prevent the stopping of that clock at a time when the company had an underfunded pension benefit——

Senator SPECTER. They have the absolute right to terminate the plan?

Ms. UTGOFF. Under current law, they have the absolute right to terminate the plan.

Senator SPECTER. There are very complex legal proceedings underway there as to what obligations they can get out of. It comes under the first interpretation of the *Bildisco* case by the Supreme Court, and the legislation which the Congress enacted following *Bildisco*. As I understand it, there is a real challenge as to what Wheeling-Pittsburgh can do by way of abrogating their obligations.

I don't know the details of the pension plan, and I am interested in knowing that.

Ms. UTGOFF. It can be roughly characterized that even though the workers originally were very opposed to terminating the pension plan, the banks forced the company and the union to agree to terminate the pension plan on the terms that would be least advantageous to the PBGC.

The workers agreed in their collective bargaining agreement to give up their contractual rights to their pension benefits, except those rights that are over and above the PBGC guaranty. In other words, they gave up their contractual rights to the pension benefits that were guaranteed.

Senator SPECTER. How will the workers come out? What will the quality or quantity of their pension benefits be as it appears now as a result of what the PBGC does?

Ms. UTGOFF. In general, we insure benefits up to $1,789 a month, that is our maximum. On average, we insure 90 percent of what is called the normal retirement benefit.

WHEELING-PITTSBURGH PLAN

Senator SPECTER. I don't want to take more time now, because there are other witnesses, but I would appreciate if you could provide that for the record. I would be very interested. I get many inquiries on this subject from Wheeling-Pittsburgh employees, and it is a general matter of interest. If you could follow that up for me, and let me know what they would have gotten had the plan gone forward, and what they will get as a result of the current status of the situation, and what the obligations of the corporation are. I would appreciate that.

Ms. UTGOFF. There are several very complex issues here. One of the major ones right now is that the company wants to terminate the plan as of the date of their entering into bankruptcy, April 15. We claim that they must terminate it under ERISA, giving notice of a subsequent to bankruptcy termination, which would allow us to have some status in bankruptcy, give our claim some priority.

They want to terminate prior to that, to avoid those priority claims, which would cost the workers accrued benefits. So there are many, many factors that will affect how much the workers get. One is the specific date of the termination and there are a number of other factors.

In this case, since we haven't settled many of the very contentious legal issues, it is not clear what the workers will be getting.

Senator SPECTER. If you would provide those for the record, and I may follow up individually some of the other matters.

Mr. Chairman, I was not in the Senate when the Economic Development Administration loan was given to Wheeling-Pittsburgh. I did have occasion to work with Mr. Carney, in his efforts to try to save the company. That company, and the steel industry generally, if you take a look at the Monongahela Valley, it is just beset with enormous problems.

I recall one day hearing Mr. Carney's question why he couldn't get loans at the same rate that the Brazilian steelmakers could as a result of our subsidy to the international monetary fund. He made Herculean efforts—he is no longer with the company. What happened to Wheeling-Pittsburgh is a commentary on international trade. It goes far beyond the circumstances of that specific situation.

But there is a very severe fallout which besets your corporation. I would like to pursue it both for the considerations of this committee, as well as for what has happened in that section of Pennsylvania.

Ms. UTGOFF. We have had many of the other steel companies come to us and express their concerns about the effect of the shakeout, and our role on it. We have, in effect, given Wheeling-Pittsburgh a $3 an

hour subsidy. It makes it very hard for the other steel companies to compete. The subsidy was given to Wheeling-Pittsburgh on the basis of its having an underfunded pension plan, which hardly seems like a good economic choice to many of these other steel companies. I am very sympathetic to their concerns.

Senator WEICKER. That was one of the points that was raised at the time of the EDA loan by other steel companies, it was the fact that it was making their role more difficult, I am talking about U.S. steel companies.

In any event, Senator, I fully understand your concerns, and they are proper concerns, indeed, and those are your constituents.

I would hope that you would respond to Senator Specter's question, and give him the information.

Ms. UTGOFF. We will.

[The information follows:]

Initially, it is important to note that the Pension Benefit Guaranty Corporation has not yet determined whether the efforts by Wheeling-Pittsburgh Steel Corp., [WP] to terminate its pension plans constitute plan terminations which would be insured under the plan termination insurance program set out in title IV of the Employee Retirement Income Security Act [ERISA] of 1974.

For the purpose of answering your questions, I will assume, without deciding, that the PBGC will subsequently determine that the WP terminations are cognizable under title IV of ERISA, and that the program's provisions would, therefore, apply.

First, the termination of any pension plan cuts off the accrual of benefits of any kind as of the date of termination. The termination of a pension plan which has insufficient assets to pay all guaranteed (statutorily insured) benefits results in the PBGC taking over the insufficient, terminated plan, and in the PBGC paying only guaranteed benefits.

The WP pension funds are grossly insufficient; their assets may be more than $500 million short of paying for guaranteed benefits. When compared against all of the benefits promised by WP to plan participants, the shortfall is even more outrageous.

Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits for which a participant has already qualified, and certain disability and survivor's pensions. The PBGC guarantees vested accrued benefits at the level in effect on the date of plan termination. However, if benefits have been increased within the 5 years immediately proceeding plan termination, the benefit increase may not be fully guaranteed. In such a case, the PBGC applies a statutory phase-in rule guaranteeing a monthly benefit increase which is the larger of $20 or 20 percent (whichever provides the participant with a larger benefit) for each full year the increase has been effective. For example, in a plan that adopted an amendment increasing benefits on July 1, 1981, the monthly benefit increase would be guaranteed up to $80 or 80 percent if the plan terminates after July 1, 1986, but before July 1, 1987.

The monthly benefit ceiling for plans terminating in 1985 was $1,687.50, paid as a monthly life annuity starting at age 65. This maximum is adjusted if a participant retires before age 65, or if the benefit is payable in a form other than a life annuity. For instance, if a retired participant is age 60 at the time the plan terminates, the participant would be limited to a monthly benefit ceiling of $1,096 paid as a monthly life annuity.

In the Wheeling-Pittsburgh case, shutdown benefits (which have not become nonforfeitable because there has been no shutdown), disability benefits (unless benefits were being paid prior to plan termination), supplemental benefits, and the special lump-sum vacation pay benefit would not be guaranteed.

Of course, as in all terminations, future service credits cease. In an actual termination, the pension program is not ongoing. All accruals stop on the date of termination. Therefore, participants who are close to qualifying for benefits are unable to qualify once a plan has terminated.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator SPECTER. Mr. Chairman, I wonder if I might submit some questions for the record for the Assistant Secretary for Mine Safety and Health Administration. That is an area of major concern in Pennsylvania, and I wanted to be here longer, but I have other commitments.

Senator WEICKER. Those questions will be submitted for responses.

Senator SPECTER. Thank you very much, Mr. Chairman.

Senator WEICKER. I have further questions for response to the record. I am very impressed with your testimony and your knowledge in the area that you are involved with. Thank you very much.

Ms. UTGOFF. Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

EFFECT OF ERISA ON DECLINING INDUSTRIES

Question: Officials at the Pension Benefit Guarantee Corporation have been quoted in the press as saying their agency is in effect running a corporate welfare program that subsidizes declining industries.

What changes do you recommend to prevent this?

Answer: Current law contains a number of loopholes that permit companies that can afford to fulfill their pension promises to shift their obligations onto the other single-employer premium payers. In this way, companies that reduce and, in some cases, even eliminate their pension costs are being subsidized by their competitors that continue to maintain defined benefit plans.

The Administration supports legislation now pending before the Congress that would revise the single-employer program to prevent unwarranted claims. Briefly, these program reforms would (1) limit access to PBGC insurance funds to cases of employer financial distress; (2) increase the amount of employer liability that the PBGC can collect from employers that terminate insufficient plans; and (3) authorize the IRS to require security before granting a waiver from the required minimum standards for funding a pension plan.

OBLIGATIONS VS. ABILITY TO CONTINUE PAYMENT

Question: Congress has not yet passed the reconciliation legislation that would increase your premiums and make it more difficult for companies to dump their pension liabilities.

How much longer can the Pension Benefit Guaranty Corporation continue to operate with its obligations far exceeding its future ability to pay?

Answer: The following table shows when the PBGC will be unable to pay benefits and administrative expenses at various premium rates.

Premium Rate	Revolving Fund Unable to Pay Admin. Expenses and Its Portion of Benefits	Total Program Assets Unable to Pay Admin. Expenses and Total Benefits
$2.60	1988	1998
$8.10	2003	After 2005
$8.50	2005	After 2005

ADEQUACY OF AN $8.50 PREMIUM RATE

Question: Even if Congress approves the $8.50 premium you seek, will this be enough to take care of another possible big corporate bankruptcy such as a recent "Wheeling Pittsburgh" case?

Answer: The Wheeling-Pittsburgh termination together with other larger than expected losses in FY 1985 caused PBGC's single-employer deficit to rise to over $1.3 billion at the end of FY 1985 (from a previously projected $583 million for that date).

As a result of having to retire this larger deficit and now projecting that another claim of the magnitude of Wheeling-Pittsburgh would occur once every 11 years, the PBGC now projects that at an $8.50 premium; the deficit will grow from over $1.3 billion at the end of FY 1985 to almost $1.9 billion at the end of FY 1990.

PRIVATIZATION

Question: Dr. Utgoff, you have been quoted as favoring legislation to replace federal insurance of corporate pension plans with private insurance.

What do you see as the advantages and disadvantages of private insurance of pension plans?

Answer: The PBGC's private sector Advisory Committee, in response to Administration objectives and a Grace Commission recommendation, has appointed a task

force to study possibilities for greater private sector involvement in functions performed by the PBGC. I do not know what the final recommendations of the task force will be, but I think it is a good idea for agencies to continually examine their functions to see the most efficient way to perform those functions.

PROTECTION OF WORKERS AND RETIREES

Question: How would you provide safeguards so that the switch to private insurance would not harm workers or retirees?

Answer: There are no current proposals for switching the termination insurance program to private insurers. Discussion involving "privatizing" the PBGC are still very preliminary. However, the protection of participants and beneficiaries is a key factor in these discussions and safeguards protecting their interests would be part of any recommendations for privatization.

PRIVATE INSURANCE COMPANY INTEREST

Question: Have any insurance companies expressed an interest in potentially risky private pension insurance?

Answer: Some people from the insurance industry have served on our Task Force and have solicited opinions from others in the industry and given certain conditions they are interested in pursuing the concept. With limitations on the insurable event, private insurance might become feasible.

TERMINATION OF OVER-FUNDED PLANS

Question: Your agency has helped develop guidelines to permit companies to terminate over-funded pension plans, and to re-capture excess assets.

Might this lead to additional liabilities to your agency if these companies develop financial problems in the future?

Answer: The joint guidelines require that a plan that terminates with surplus assets must provide all participants' accrued benefits through annuities purchased from an insurance company. If an employer that terminated such a plan covers some or all of the same participants under a new defined benefit plan, the annuity purchase requirement would protect the PBGC from later underfunding of benefits accrued before the reversion. Operation of the minimum funding standards under ERISA should protect the PBGC against possible losses from benefits accrued after the reversion under a successor plan.

MULTIEMPLOYER FINANCIAL ASSISTANCE

Question: Has the Pension Benefit Guaranty Corporation provided any financial assistance to multiemployer pension plans to enable the plans to pay guaranteed benefits?

Answer: Yes. The Corporation made its first loans under the Multiemployer Financial Assistance Program in FY 1981 and has continued to provide financial assistance in each of the subsequent fiscal years. The Corporation is currently providing financial assistance to four multiemployer pension plans.

RISK-RELATED PREMIUM STUDY

Question: When will Congress receive the study it has long awaited concerning the feasibility of a graduated, or risk-related premium structure?

Answer: The PBGC has made considerable progress on its risk-related premium study. I consider it a very important issue. The Congress is now considering a much-needed premium increase and legislative reforms to protect the program against unwarranted claims. When the legislation is enacted, we will have a better factual basis from which to address a risk-related premium.

AMORTIZATION OF SINGLE-EMPLOYER DEFICIT

Question: How quickly will the Pension Benefit Guaranty Corporation be able to amortize its deficit in the single-employer termination insurance program?

Answer: Based on its experience through September 30, 1984, the PBGC requested for the single-employer termination insurance program a $7.50 premium per participantg effective January 1, 1985. The equivalent of $7.50 effective January 1, 1986 is $8.10. Such a premium was projected to retire the deficit over 15 years (i.e., by 1999).

Such a projection did not provide for any extraordinary large claims of the size of Wheeling-Pittsburgh (currently estimated at over $450 million).

As a result of the loss from Wheeling-Pittsburgh and other losses experienced in FY 85, the deficit rose to over $1.3 billion from an expected $583 million.

As a result of having to retire the large deficit, the PBGC now expects that even with a $8.50 premium effective January 1, 1986, the deficit will rise from $1.3 billion at the end of FY 85 to almost $1.9 billion at the end of FY 1990.

QUESTION SUBMITTED BY SENATOR ARLEN SPECTER

IMPACT OF FAILURE TO ENACT THE FY 1986 RECONCILIATION BILL

Question: The Fiscal Year 1986 Reconciliation Bill, S.1730, which ultimately failed to be enacted, would have made certain changes in ERISA having to do with pension liabilities of bankrupt companies. In my state of Pennsylvania, steel copanies such as Wheeling Pittsburgh and National Intergroup had widely varying interpretations of the likely impact of these changes. What will be the impact on PBGC of the failure to enact S.1730 and what will be the impact of the continuing attrition of our manufacturing industries?

Answer: The budget reconciliation bill contains a premium increase to $8.50 and program reforms for the PBGC's single-employer program. This program had a deficit of $1.3 billion at the end of FY 1985. Both the premium increase and reforms are essential to restoring the program to a sound financial condition. Historically, our losses have come mainly from the manufacturing industries, especially those experiencing attrition. It is reasonable to expect this pattern will continue. It is essential that we have reforms to eliminate unwarranted claims which historically have accounted for more than 20 percent of total program claims. Without a premium increase and reforms, PBGC will run out of money in its revolving fund in 1988.

Questions Submitted by Senator William Proxmire

INSURANCE CLAIMS AND INDEMNITIES ESTIMATE

Question: Last year's justifications included an estimate of $211 million for insurance claims and indemnities in fiscal year 1986. That 1986 estimate has increased to $252.2 million. What has happened over the last 12 months to make these estimated costs go up by almost 20 percent?

Answer: Insurance claims and indemnities is the government account in which PBGC's benefit payments are categorized. The projection of PBGC's benefit payments for FY 86 has been increased from $211 (as reflected in last year's budget submission) to $252.2 million. This increase of $41.2 million reflects the impact of now projecting the need to pay benefits to participants in the Allis-Chalmers and Wheeling-Pittsburgh plans (less the growth that had been previously projected based on more normal claims experience).

ESTIMATED NUMBER OF PAY-STATUS PARTICIPANTS

Question: Last year at this time you believed you would be paying monthly benefits to 80,000 participants in 1986. Currently you estimate that you will pay 90,000

participants in 1986. Why were your original estimates so wide of the mark?

Answer: Last year when the estimate of 80,000 pay-status participants was developed, it was based primarily on the historical average annual number of pay status participants added to the system each year. Subsequent to the development of the 80,000 estimate PBGC received two extraordinarily large insufficient plan terminations (Allis Chalmers and Wheeling Pittsburg Steel) which had the effect of causing our estimate to be low. The estimate was therefore increased to 90,000 pay status participants to give effect to the number of additional pay status participants in these plans that exceeded the average number included in the original estimate.

REQUESTED INCREASE FOR CONTRACTOR SUPPORT

Question: You are requesting an increase of $2,484,000 and 5 positions for additional capacity in the insurance operations area. I assume that most of this increase would be used for contractor support. Can you tell us how much of the total amount requested would be allocated to contractor operations?

Answer. $2,127,000 would be allocated to contractor operations.

METHOD OF CONTRACTING

Question: Will you contract for this additional insurance operations assistance on a sole source basis or competitively?

Answer: In awarding the contracts PBGC will follow authorized federal procurement practices which in all liklihood will dictate competitive awards. Most of the total will represent contracts covering actuarial services. Historically, PBGC has always competed its contracts for actuarial services.

ADVISORY AND ASSISTANCE SERVICES

Question: Last year you estimated expenditures of $2,873,369 for advisory and assistance services in fiscal year 1986. Your current 1986 estimate is for expenditures of only $143,000. Can you tell us what services you were able to cut?

Answer: The decrease in estimated expenditures for advisory and assistance services for FY '86 is attributable to two changes since last year's estimate was submitted.

First, the Corporation's interpretation of the definition used in determining Advisory and Assistance Services was considerably broader last year than this year. We believe this year's estimate more accurately portrays the scope of Advisory and Assistance Services engaged by the PBGC.

Secondly, the Corporation has reduced its FY 1986 estimate, since last year's submission, to reflect the effects of the Balanced Budget and Emergency Deficit Control Act, P.L. 99-177 (Gramm-Rudman-Hollings) and P.L. 99-190 (Reductions in Advisory and Assistance Services). The principle areas affected by the reductions are contracts for program support, program research and evaluation, management studies, administrative support, and training.

MINE SAFETY AND HEALTH ADMINISTRATION

STATEMENT OF HON. DAVID A. ZEGEER, ASSISTANT SECRETARY

ACCOMPANIED BY:

THOMAS J. SHEPICH, DEPUTY ASSISTANT SECRETARY

JOHN A. STOCKMAN, ACTING CHIEF, DIVISION OF BUDGET AND FINANCES, OFFICE OF ADMINISTRATION AND MANAGEMENT

PREPARED STATEMENT

Senator WEICKER. Our final witness this morning is Mr. David Zegeer, the Assistant Secretary for Mine Safety and Health Administration [MSHA].

Mr. Zegeer, will you please introduce your colleagues. Your statement in its entirety will be placed in the record, and you might want to go ahead and synopsize.

[The statement follows:]

STATEMENT OF DAVID A. ZEGEER

I am pleased to appear before you to present the fiscal year 1987 appropriation request for the Mine Safety and Health Administration. This request totals $156,480,000 and 2,909 staff years to conduct mine safety and health activities. This is an increase of $11,756,000 and 81 staff years from 1986. These increases are based in part on increased inspection and assistance activities and in part on mandatory cost increases.

Before we discuss MSHA's budget request for fiscal year 1987, I would like to briefly outline MSHA's role in mine safety and health and to discuss my philosophy of how best to execute those duties.

I fully support the administration's philosophy of cooperative efforts by management, labor, and Government. The trend in the number of mining fatalities has continued to decline under this policy with calendar year 1985 having the fewest ever. In my view, the Mine Safety and Health Administration can monitor mining activities to ensure their compliance with the law and also assist in developing and conducting other activities which result in improved safety and health. The agency should, therefore, continue to focus on the additional functions of technical and educational assistance, as well as conducting the mandatory activities required by the Mine Act.

I support the President's commitment to improve the efficiency of Government and to reduce unnecessary burdens on industry as well as improve health and safety. In this regard we will continue to prioritize our review of MSHA's regulations.

ENFORCEMENT

A total of $110.3 million and 2,237 staff years is requested for enforcement activities in both coal and metal and nonmetal mines. This is an increase of $7.9 million and 63 staff years. This increase will provide for an additional 6,970 mine safety and health inspection events. The resources requested for 1987 will provide for an estimated 29,692 regular health and safety inspections. In addition to these inspections, the budget request includes 84,613 other followup inspections, investigations, and education and training activities.

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Assessments

A total of $1.8 million and 54 staff years is requested for the Assessments Program for fiscal year 1987. This is an increase of $155,000 and 1 staff year from 1986.

In both 1986 and 1987 the assessment activity will continue to assess civil penalty cases, and to collect and account for all penalties paid.

Educational Policy and Development

A total of $11.7 million and 101 staff years is requested for educational policy and development in fiscal year 1987. This is an increase of $557,000 and 3 staff years from 1986. The Mine Academy will provide 40,000 student days of instruction in mine safety and health subjects in both 1986 and 1987. A total of $5.2 million is included for the State Grants Program in 1987 for 46 participating States.

Technical Support

A total of $20.2 million and 342 staff years is requested for technical support activities in 1987. This is an increase of $2.6 million and 10 staff years from 1986.

The technical support activity will continue to provide direct support to MSHA's enforcement activities by making its technical expertise available to solve mining problems in order to further the health or safety of miners.

Program Administration

A total of $12.5 million and 175 staff years is requested for program administration, an increase of 4 staff years and $577,000 from 1986. The program administration activity will provide policy direction and administrative support for MSHA's safety and health programs.

Conclusion

The resources requested in MSHA's 1987 budget will allow us to do our part in continuing the downward trend in injuries and fatalities in the Nation's mines.

Mr. Chairman, that concludes my prepared statement. I welcome this opportunity to respond to any questions you have.

Biography of David A. Zegeer

David A. Zegeer was confirmed as Assistant Secretary of Labor for Mine Safety and Health on November 18, 1983. Prior to his appointment, he operated a consulting business and served on the National Academy of Sciences' Committee on Underground Coal Mine Safety. He retired in 1977 as manager of Beth-Elkhorn Corp., a subsidiary of Bethlehem Steel, for whom he worked for over 20 years. Prior to that he served in successively responsible positions with Consolidation Coal progressing from surveyor to assistant to the president.

Mr. Zegeer was born in Charleston, WV. He received his bachelor's degree in mining engineering from the West Virginia University School of Mines in 1944, and spent 2 years in the U.S. Army engineers.

Mr. Zegeer has been active in many industry and professional organizations including the Kentucky Mining Institute, the Kentucky Coal Association, the National Mine Rescue Association, the Mine Inspectors' Institute of America, the Coal Mining Institute of America, the American Mining Congress, the National Society of Professional Engineers, and the Society of Mining Engineers (AIME). He is the author of numerous publications on mining.

In addition to awards from professional societies, Mr. Zegeer in 1976 received the Donald S. Kingery Award, given annually by MSHA to a member of industry for outstanding achievements in safety and health. In 1982, Mr. Zegeer received the Professional Award for Coal Mine Health, Safety and Research at the 13th Annual Institute on Coal Mining Health, Safety and Research, Virginia Polytechnic Institute and State University.

INTRODUCTION OF ASSOCIATES

Mr. ZEGEER. Thank you, Mr. Chairman.

I have on my right, Mr. Thomas Shepich, who is my Deputy, and on my left is John Stockman, who is our Budget Officer. We would like to read for the record a short opening statement, and it is as follows:

I am pleased to appear before you to present the fiscal year 1987 appropriation request for the Mine Safety and Health Administration. This request totals $156,480,000 and 2,909 staff years to conduct mine safety and health activities. This is an increase of $11,756,000 and 81 staff years from 1986. These increases are based in part on increased inspection and assistance activities and in part on mandatory cost increases.

Before we discuss MSHA's budget request, I would like to mention two of the administration's initiatives, which MSHA has incorporated into its mine safety and health programs.

First, I support fully the President's commitment to improve the efficiency of Government, and to reduce unnecessary burdens on industry, as well as improve health and safety. This involves a comprehensive review of MSHA's policies and regulations. In this regard, we will continue to prioritize our review of MSHA's regulations.

The review involves all concerned mining industry parties, that is, labor, industry, and many other organizations.

Second, I also support the administration's philosophy of complementing enforcement activities with cooperative efforts by management, labor, and Government. The trend in the number of fatalities has continued to decline under this policy. Calendar year 1985, just past, had the fewest number of fatalities ever.

In my view, the Mine Safety and Health Administration can monitor mining activities to ensure the compliance with the law, and also assist in developing and conducting other activities, which result also in improved safety and health.

The agency should, therefore, continue to focus on the additional functions of technical and educational assistance, as well as conducting the mandatory activities required by the Mine Act.

I believe that the budget that I have presented, which incorporates these two administration policies, will provide the necessary resources to protect the safety and health of the Nation's miners.

Mr. Chairman, that concludes my statement. I would welcome the opportunity to respond to any questions that you may have.

ADDITIONAL INSPECTORS

Senator WEICKER. Thank you very much.

Congress increased your fiscal year 1986 budget by $1 million for the purpose of hiring mine inspectors.

Considering past regular mine inspection shortfalls, do you plan to use these funds to hire additional inspectors, and how will the 4.3-percent Gramm-Rudman-Hollings cutback affect your plans to meet the required number of regular inspections?

Mr. ZEGEER. When Gramm-Rudman came about, we were in the process of reviewing the number of mines we had in each district, the number of inspectors we had, and where our shortfalls existed. We have been in the process of transferring inspectors, especially from the West where there has been a decline in the metal mining industry, especially underground mining. We have had retirements in the East. In one district, we had 29 retirements last year, so we have been in the process of shifting people around.

We have undertaken efforts such as training and education to improve the quality of our work force in order to make the best use of the human resources we have. Last year, for example, we had 30 of our supervisors who went to a 6-month training course and then went back to their duty stations.

Similarly in some cases, we have reassigned education and training people who had been inspectors back to the inspection ranks. By being more sensitive, and by tighter management, I think we are accomplishing the goals of the act with the resources we now have.

HIRING ADDITIONAL INSPECTORS

Senator WEICKER. How many of the 90 additional inspectors have been hired to date, and when do you expect to fill all of these positions?

Mr. ZEGEER. Probably just one or two have been hired.

Senator WEICKER. Have been what?

Mr. ZEGEER. We have been in the process of transferring and moving people to address staff imbalances and other identified problems. With the Gramm-Rudman-Hollings cut of 4.3 percent, plus these other reasons, we have hired hardly any new inspectors.

Senator WEICKER. Even assuming the 4.3-percent cut, et cetera, I don't see how that could come to any 90 positions.

Counsel tells me that the hiring of these 90 inspectors was in the conference report.

Mr. ZEGEER. You are referring to the 90 additional people and then the 4.3-percent cut.

Senator WEICKER. Yes.

Mr. ZEGEER. We have been reassigning people, and we have been adjusting to this cut. The 10 that we have moved or will be moving have been on a voluntary basis because we had a surplus of inspectors out of the Denver district in the West. I might add that we also transferred some from metal and nonmetal to coal, and then the reversal, too, where needed.

METAL AND NONMETAL INSPECTION SHORTFALL

Senator WEICKER. According to a draft report that I requested from GAO, about 3,000 metal and nonmetal mines, that is over 27 percent, were not inspected the required number of times during fiscal year 1985.

Do you still believe, despite Gramm-Rudman cuts, that you will be able to conduct all the mine safety inspections required by law in fiscal year 1986?

Mr. ZEGEER. Yes, sir; we have reviewed this letter to you with the GAO. We appreciate the fact that GAO did get into this statistical data in depth. The 3,000 mines referred to are mostly the small sand and gravel pits. It didn't say so in the letter to you, but even though you mention the 27 percent, actually 90 percent of the workers in the metal and nonmetal industry were covered by the right number of inspections, either four or two.

The 3,000 mines, in the main, are the small sand and gravel pits. One-half of the metal and nonmetal operations of about 11,500, one-half of them, are just 2, 3, or 4 workers, very seasonal, very intermittent. Some of them have been moving from place to place.

One of the things, that we have been doing for each location, was requiring a separate ID number for each location. If an operation moved to another location, even if they were there for 2 weeks, technically they would have required two inspections per year. However, due to the nature of their operation they could have had one, or they could have had none. So we have begun to correct this situation, partly due to the feedback that we got from GAO by identifying mine operators who had intermittent operations of different locations.

REQUIRED INSPECTIONS IN 1987

Senator WEICKER. How will you be able to carry out all of the inspections required by law in fiscal year 1987, when your budget requests less staff than you had in 1985?

Mr. ZEGEER. Because we have been shifting people into the enforcement group. For every four mine visits that we now make, only one of the four is a regular inspection required by law. The rest have been education and training visits, compliance followups, accident investigations, as well as our other enforcement activities. We have had programs such as walk and talk, where we have a rash of accidents, we are sensitive to that situation, and we send our inspectors, in one case for 5 consecutive weeks, to meet with people and address these concerns in order to make people more sensitive to the hazards.

We go beyond the enforcement tool. We also put a lot of importance in the training and education of the workers themselves. Aside from the enforcement requirements, on a selective basis, we put a lot of emphasis into this training need that exists in the industry.

NINETY ADDITIONAL INSPECTORS

Senator WEICKER. I am still not satisfied as to the response on the matter of these 90 additional inspectors which were specified in the conference report. I am still not satisfied as to the business of transfers, and Gramm-Rudman, and all the rest of it.

I wonder if you would supply me with a detailed response as to these 90 additional inspectors that were referred to in last year's conference report.

Mr. ZEGEER. Yes, sir.

NINETY ADDITIONAL INSPECTORS

MSHA's 1986 appropriation included an increase of $2,768,000 and 90 inspector positions over the President's request to address the GAO reported shortfall in required inspections. MSHA immediately began the process of updating the inspector register to determine how many eligible and interested applicants were available to hire. This process was proceeding concurrently with MSHA's implementation of corrective measures to complete mandated inspections and to address other deficiencies cited by GAO.

With the sequestration of funds under the Gramm-Rudman-Hollings legislation, MSHA's share of the 4.3-percent reduction was $6,522,000 of which $4,602,000 was targeted for coal and metal and nonmetal enforcement. MSHA's staff-intensive enforcement activity will be carefully monitored and controlled to achieve its targeted reduction while minimizing the impact of its inspection levels.

The GAO report revealed that MSHA's management information system was not up to date and contained idle and abandoned mines. Furthermore, the GAO report revealed staffing levels that were inconsistent with the workload in various regions of the country. To address these situations, MSHA improved its management information system to reflect a more accurate mine count and began to reallocate staff, first on a voluntary basis, and will proceed with reassignment on a prudent basis as the workload requires.

The President's budget request includes funds to continue the relocation of current staff and to maintaina sufficient number of inspectors to conduct MSHA's safety and health programs under the Mine Act.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There will be further questions for response to the record. I thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

PRODUCTIVITY DATA

Question: GAO indicates that as of February 1, 1986, you had neither fully identified the causes for variations in productivity among field offices, nor prescribed how improvements will be implemented, or how district managers will be held accountable for these improvements.

What specific actions have you taken to date to improve productivity in the Mine Safety and Health Administration, and what remains to be done?

Answer: A major reason for variations in productivity among field offices in the Metal and Nonmetal program is the variations in weather conditions across the country. Of the roughly 11,400 metal and nonmetal mining operations in the country, over 53 percent operate on an intermittent basis, primarily seasonal due to weather conditions. The highest percentages of intermittent operations are in the northern cold regions in the country, and these are primarily the field offices that have not met all mandatory inspections.

To improve productivity, the importance of meeting mandated inspections has been stressed at district managers' meetings. Readily identifiable productivity data were developed to identify hours spent on regular inspections and other enforcement activities per inspector staff year, the number of regular inspections per inspector staff year, and the amount of time spent by the inspectors in the office for inspection preparation and report writing. The importance of improving productivity and meeting the mandated inspections has been emphasized. In addition, meeting the mandated inspections was added to the performance standards of district managers under the Performance Management and Recognition System (PMRS).

MSHA plans to evaluate the productivity of its field offices on a regular basis to determine if other actions of improving productivity are feasible and needed. It is encouraging to note that productivity in regular inspection hours per inspector staff year improved in the Metal and Nonmetal program by nearly 22 percent in the first quarter of Fiscal year 1986 over the same period in fiscal year 1985, largely through the reduction of attempted inspections and other miscellaneous inspections and investigations. The estimated total number of required regular inspections was also achieved both in Coal and Metal and Nonmetal.

INSPECTOR PRODUCTIVITY

Question: What incentives are there for district managers to increase inspector productivity without sacrificing quality?

Answer: Increased productivity can be achieved without sacrificing quality through better planning. MSHA has been conducting a

major training program over the past two years to develop improved skills for managers and supervisors, which will enhance the planning function of the organization. In addition, a performance standard for District Managers measuring inspection completion rates will be added incentive to increase productivity. This is already borne out by the results of the first quarter of fiscal year 1986 during which all mandated inspections were achieved without any reduction of hours per inspection spent at the mine site.

However, the measure of MSHA's success is realized not only in terms of productivity but in the reduction of injuries and illnesses, a goal that all MSHA personnel strive to achieve.

MINING FATALITIES

Question: In times of declining employment (as is the case with the mining industry) accident rates should go down. Yet between 1983 and 1985 both coal fatalities and metal and nonmetal fatalities have increased.

Why have mining fatalities increased since 1983?

Answer: The two lowest annual numbers of mining fatalities ever recorded in the United States were recorded in 1983 and 1985. This was true for both coal mining and metal and nonmetal mining. The intervening year, 1984, however, saw a rise in coal mining fatalities, partly as a result of a mine fire that took 27 lives in Utah in December 1984. The metal and nonmetal mining fatalities also rose to a lesser degree that year as shown below.

Fatalities

	Coal	Metal and Nonmetal
1983	70	62
1984	125	80
1985	67	55

The downward trend in annual fatalities is evident from statistics covering all types of mining since 1977. The three-year average for 1983-85 was 153 fatalities. The average number of yearly deaths from 1980-82 was 221, and the average for the 1977-79 period was 260 fatalities annually.

A truer picture of safety performance in a company or a segment of industry can be obtained by comparing fatality and injury rates (which measure raw numbers against employee hours worked) for the different time periods. In 1978, the all injury incidence rate was 10.05 for coal mines and 7.95 for metal and nonmetal mines. These rates have fallen virtually every year since, with recent years shown below.

All Injury Incidence Rate
per 200,000 Employee Hours

	Coal	Metal and Nonmetal
1983	6.95	4.48
1984	6.63	4.56
1985	6.31	4.26

The recent improvements in accident rates are considered a meaningful part of a longer term continuing downward trend. MSHA believes that such gains are related to greater safety awareness and cooperation throughout the nation's mining community.

MINE WORKERS INJURIES

Question: To what extent has improved technology reduced the incidence of mine workers injuries?

Answer: Technological improvements have played a large role over the years in reducing mining deaths and injuries, along with passage of safety and health legislation, improved miner training, and, more recently, increased cooperation among all elements of the mining community in the safety effort.

The technological advances and improved mining methods were achieved both through industry, labor and government working together, and on industry's own initiatives.

These advances have included better control of explosives use and safer blasting materials, greatly improved ventilation, coal dust control, and gas detection technology, rules and practices, and increased use of large cutting or shearing machines and decreased underground blasting to extract coal.

Although coal mine deaths and injuries from underground roof falls remain a problem, technological advances have prevented many deaths due to this hazard. Since the mid-1970s, protective cabs and canopies have been required on mobile underground coal mining machines to protect operators from roof fall hazards. During this time, MSHA has documented more than 250 cases in which the lives of miners were saved by the use of protective cabs and canopies. It is considered likely that there were many more instances in which these protective devices saved lives or averted serious injuries to miners. Another important factor in the campaign to reduce the toll of roof falls is the increasing use of automated temporary roof supports (ATRS) which greatly improve roof control where used. Better technology also has improved ground control capabilities in metal and nonmetal mining.

Other improvements in roof control have also reduced the incidence of mine workers' injuries. These include improvements in roof bolting techniques and the use of resin roof bolts, trusses, and longwall supports.

SAND AND GRAVEL MINES

Question: A few years ago Congress, in an appropriations amendment, transferred sand, gravel, and crushed stone operations from MSHA to OSHA jurisdiction. The move was reversed after 6 months because OSHA inspectors were untrained for mine inspections. Initially, when the transfer of these operations was made to OSHA, MSHA laid off 260 inspectors. Reportedly, MSHA has been slow to re-hire these inspectors.

How much inspecting are you currently doing in sand and gravel mines?

Answer: In fiscal year 1985, MSHA conducted 6,579 regular inspections at sand and gravel mines. This compared to a low of 1,963 inspections at these mines in fiscal year 1982 when they were exempted from MSHA inspection during part of the year.

When sand and gravel jurisdiction was returned to MSHA, 44 employees were rehired in the Metal and Nonmetal program. In addition, 70 were hired in the Coal program. All former employees who were willing to relocate and/or retrain were offered jobs within the Agency.

MINE SAFETY LEGISLATION

Question: The Administration has been suggesting a change in mine safety legislation to target resources on the most dangerous mines. Such legislation has not been enacted, perhaps due to suspicion that instead of increasing inspections of more dangerous mines there would simply be some mines not inspected at all.

Hasn't the problem identified by GAO show that you are really trying to administratively change the law that you have failed to achieve through legislation--by simply not conducting the legal minimum inspections of so-called less hazardous surface mines?

Answer: The objective of the Federal Mine Safety and Health Act is to improve working conditions and reduce accidents in the nation's mines through regular inspections and other programs deemed necessary and developed by the Secretary of Labor. MSHA has no intention to administratively change the law and will carry out all of its provisions. MSHA believed, and still believes, that a combination of inspections and special programs is the most effective way to achieve the objective of the Act of improving working conditions and reducing accidents in the mines.

SURFACE MINE INSPECTIONS

Question: Is it really excessive to require a minimum of two inspections in each surface mine every year?

Answer: MSHA believes that some flexibility could be just as effective and more efficient in reducing the overall rates of fatalities and injuries in the industry. MSHA also believes that

there should be a balance between inspections and special programs to achieve the objective of the Act.

DISTRICT STAFFING

Question: In response to GAO's management report recommendations, MSHA has identified its staffing needs for each district office. It also has begun to alleviate staff imbalances through voluntary transfers.

If the staffing imbalance remains, will MSHA still achieve all the required inspections in the understaffed districts?

Answer: Voluntary transfers have reduced the staffing imbalance between metal and nonmetal mine districts significantly. However, as of early 1986, considerable imbalance still remains. MSHA may not be able to achieve all the required inspections of metal and nonmetal surface mines in the under-staffed districts in fiscal year 1986. Funds have been included in the 1987 budget request to complete the relocations necessary to correct the imbalances.

While staffing imbalances have been less severe in the Coal program, there is some problem in understaffed offices. Through the implementation of some field reorganizations, we have achieved a better balance of our workforce and this should allow us to conduct all required inspections at active coal mines.

STAFFING IMBALANCES

Question: Could MSHA correct the staffing imbalances by changing the boundaries of districts?

Answer: Changing the boundaries of districts will not change the geographic placement of inspection personnel or their proximity to mining operations.

The Metal and Nonmetal staffing imbalances are scattered over most of the areas in the country and only limited correction may be achieved by changing the boundaries of districts. However, MSHA is currently reviewing this possibility.

Funds have been included in the 1987 budget request to complete the relocations necessary to correct the imbalances.

REQUIRED INSPECTIONS

Question: MSHA headquarters had told district managers to meet all required inspections and other activities within the current staffing level. It has directed its district managers to meet inspection goals through increased inspector productivity, but has not yet provided any incentives to do so.

What incentives will MSHA provide for district managers to achieve the required number of regular inspections for all types of mines?

Answer: Increased productivity is encouraged through performance measurement and performance standards. The completion of regular health and safety inspections is a critical standard for managers and a failure to meet this standard would be reflected in their performance rating.

SUBCOMMITTEE REPORT

Question: The report MSHA submitted to the Senate Appropriations Subcommittee on Labor, HHS, Education, and Related Agencies showed only the aggregate numbers of inspections required and completed, and not the number of mines receiving less than the required number of inspections.

Does MSHA believe that reporting the number of mines receiving, or not receiving, all required inspections would be a helpful statistic? Please provide this information for fiscal year 1986.

Answer: While MSHA does have the resources to complete the required inspections on an aggregate basis, the large number of seasonal and intermittent operations and the staffing imbalances may prevent all mines from receiving their full complement of inspections. MSHA agrees that reporting the number of mines receiving, or not receiving, all required inspections would be a helpful statistic. This information will be provided for fiscal year 1986.

MINES RECEIVING LESS THAN REQUIRED INSPECTIONS

Question: How many mines received less than the required number of inspections in fiscal year 1985?.

Answer: In fiscal year 1985, 16 full-time active underground metal and nonmetal mines did not receive all the required inspections, which represented 6.5 percent of all the full-time active underground metal and nonmetal mines operating during the year, and 1,010 full-time active surface metal and nonmetal mines did not receive all the required inspections, representing 22.4 percent of all the full-time active surface metal and nonmetal mines operating during the fiscal year.

As pointed out earlier, over 53 percent of the metal and nonmetal mines operate on an intermittent basis. The operating period of these mines is irregular from year to year and ranges from a few days to several months during the year, mostly during the warm season. It is not possible to conduct inspections at all of these intermittent operations during any single year even in areas where adequate inspector resources are available. Since these mines probably operate on an average of considerably less than six months a year, MSHA's policy is to conduct an average of two inspections a year at intermittent undergound operations and one inspection a year at intermittent surface operations.

A total of 138 intermittent undergound metal and nonmetal mines were in operation at the end of fiscal year 1985 and 256 regular inspections were conducted at these mines during the fiscal year,

representing an average of about 1.9 inspections per mine. A total of 5,964 intermittent surface metal and nonmetal mines were in operation and 5,313 regular inspections were conducted at these mines during the fiscal year, or an average of about 0.9 inspections per mine.

On a mine-by-mine basis, 31 of the intermittent underground operations received two inspections during the fiscal year, 43 received more than two inspections, 36 received only one inspection during the year, and 28 received no inspections. Of the 5,964 intermittent surface metal and nonmetal mines operating at the end of the fiscal year, 2,979 operations received one inspection, 1,092 received two or more inspections, and 1,893 received no inspections during the fiscal year.

The non-producing underground mines received an average of 2.5 inspections during the year, with 62 receiving two or more inspections, 16 receiving one inspection and 14 receiving no inspections. The non-producing surface mines received an average of one inspection during the year with 43 receiving two or more inspections, 37 receiving one inspection and 51 receiving no inspections.

INSPECTIONS AND STAFFING LEVEL

Question: Does MSHA still believe that all required inspections will be accomplished in fiscal year 1986 with the current staffing level?

Answer: MSHA still believes that all the required inspections can basically be accomplished in 1986 with the current staffing level in the coal and metal and nonmetal programs. However, despite improvements through voluntary transfers, considerable imbalance in inspector resources still exists between the metal and nonmetal districts. The transfer process is continuing and it is expected that a complete redistribution of inspectors will be achieved some time in fiscal year 1987. Consequently, MSHA believes that it will be able to accomplish all required inspections in fiscal year 1987 with the current staffing level.

QUESTION SUBMITTED BY SENATOR MARK ANDREWS

PATTERNS OF VIOLATIONS

Question: Last year, MSHA was considering new regulations that would impose stronger sanctions on mines where patterns of violations have been evidenced. What was the final outcome on those new regulations?

Answer: MSHA published an advance notice of proposed rulemaking on this subject last February. The Agency has considered the comments received and expects to publish a proposed rule this summer.

Questions Submitted by Senator Arlen Specter

INSPECTION SHORTFALL

Question: In May 1985, the General Accounting Office informed the Senate Appropriations Committee that the Mine Safety and Health Administration (MSHA) has not been making the required number of inspections at metal/nonmetal surface mines. GAO estimated an inspection shortfall of as much as 40 percent existed in fiscal years 1983 and 1984. What were the figures for fiscal year 1985?

Answer: Of the full-time active underground metal and nonmetal mines, 6.5 percent did not receive all the required inspections in fiscal year 1985 and 22.4 percent of the full-time active surface operations did not receive their required inspections during the year.

The intermittently operated underground mines received an average of about 1.9 inspections during the year, with 74 receiving two or more inspections, 36 receiving one inspection, and 28 receiving no inspections during the fiscal year. The intermittently operated surface mines received an average of about 0.9 inspections during the year, with 4,071 mines receiving one or more inspections and 1,893 receiving no inspections during the year.

The non-producing underground mines received an average of 2.5 inspections during the year, with 62 receiving two or more inspections, 16 receiving one inspection and 14 receiving no inspections. The non-producing surface mines received an average of one inspection during the year with 43 receiving two or more inspections, 37 receiving one inspection and 51 receiving no inspections.

EXPLANATION OF SHORTFALLS

Question: What is the explanation for these inspection shortfalls?

Answer: As the GAO reported, a major reason for these shortfalls was MSHA's emphasis on special assistance programs as a means to reduce accidents in the mines. The staffing imbalance was another reason for inspection shortfalls in the under-staffed districts. In addition, the cold weather conditions also contributed to the inspection shortfalls for intermittently operated mines in several of the districts.

An inaccurate mine count further explained the shortfall by distorting the actual number of required inspections.

INSPECTION RECORDS

Question: What has been done to correct or amend MSHA procedures to ensure adequate inspection records in the future?

Answer: MSHA has had adequate inspection records on its mines for some time. However, these records were not adequately sum-

marized to provide readily available data. To correct this situation, new computer programs have been developed and reports are being generated on a regular basis to track productivity and inspections on a mine by mine basis. In addition, the importance of timely and accurate update of the mine information system has been emphasized to the field managers, supervisors, and inspectors.

ENFORCEMENT RESOURCES

Question: In the fiscal year 1985 budget, funding for the enforcement of safety and health standards for the protection of lives and prevention of injuries in coal mining operations was $75.67 million, with 1,676 full time employees. Fiscal year 1986 budget estimates, including assumed sequestration under P.L. 99-177, would cut the number of full time employees in coal enforcement to 1,597, and funding to $72.3 million. What do you expect to be the impact of these cuts on miner safety?

Answer: Every attempt will be made to complete all regular inspections required by law, but reductions are necessary in other areas, such as technical inspections, compliance assistance, and education and training efforts. Various cost saving measures have been implemented to minimize the effect of the budget reductions on MSHA's health and safety programs.

EFFECTS OF FURTHER CUTS

Question: For fiscal year 1987, you are proposing to increase the number of full time employees to 1,653 and funding to $78.5 million. What would be the effect of further cuts, if they are enacted, on the fiscal year 1987 budget for MSHA?

Answer: We could not accurately assess the specific effect of further cuts in 1987 until the size of the reduction is known. However, in general, further cuts in MSHA's 1987 budget would reduce staffing levels and thus inspections since most of the enforcement program's funds are related to salaries.

SEQUESTRATION EFFECTS ON INSPECTORS

Question: It was indicated to me by the Department of Labor that the number of coal inspectors in underground and surface mines in fiscal year 1985 was 788. Under the projected budget for fiscal year 1986, after sequestration, this number would be reduced to 750. Although I understand the number of coal inspectors will be increased to 798 for the fiscal year 1987 budget, what would be the net effect on the number of these inspectors if sequestration cuts are again enforced?

Answer: If sequestration cuts are again enforced, the number of coal inspectors could be affected along with other staff. Coal has reduced administrative support staff and costs over the past several years and continually looks for more efficient ways of

operating. Since most of the enforcement programs funds are related to salaries, cuts made to the 1987 budget request could result in fewer inspectors funded.

Questions Submitted by Senator William Proxmire

NEW FEE SCHEDULE

Question: In the course of last year's hearings I pointed out that, according to your Inspector General, your failure to raise equipment testing fees as recommended back in 1981 might be costing the government over $3 million a year. We were told at that time that the new fee schedule would be published in early 1986. Has the new fee schedule been published, and, if not when will it be?

Answer: MSHA hopes to publish a proposed rule in April which will establish general criteria for determining costs to the government. Once these rules become final, the criteria established will then be used to compute fees on an annual basis so that the fees always reflect current costs.

In drafting the proposal, MSHA has attempted to follow a methodology that will fairly establish which Agency costs are properly attributable to the approval process and therefore recoverable as fees. The goal of our approval program steadfastly remains the introduction of safe equipment into the mining environment.

RAISED FEES

Question: If the schedule has been published how much will the new schedule raise fees?

Answer: The new fee schedule has not yet been published.

REGULAR INSPECTIONS IN 1985

Question: Last year's justifications indicated you expected to make 13,650 regular inspections in 1985. You actually made only 11,947 inspections. What caused the shortfall?

Answer: The cause of the shortfall from the original estimate of coal mine health and safety inspections in 1985 was twofold. First, the number of projected regular inspections was based on 4,925 active producing coal mines in operation for the entire year. After the management information system was revised to better monitor mine status and required inspections, the reports showed the actual count at 4,267 active producing mines, of which 80 percent operated for the entire year. There also were 757 non-producing mines inspected during the year. In addition, to address specific health and safety issues in eastern Kentucky, one district discontinued regular health and safety inspections for one quarter and inspected through the use of spot visits instead. This practice has been discontinued.

REGULAR INSPECTIONS IN 1986

Question: You plan to make 12,481 regular inspections in 1986. In 1987 your inspections will remain the same -- 12,481 -- although you plan to increase your personnel by 63 positions. Why can't you do more with these additional positions?

Answer: The number of regular coal mine inspections projected for fiscal year 1986 and 1987 are at the 100 percent level of the "expected" active mines. The number is the same because we do not expect any change in the status quo of the industry for the next two years. The addition of 63 positions, if funded, will allow for increases in technical inspections, special emphasis programs, compliance assistance and education and training efforts necessary for the improvement of health and safety in the industry.

OBLIGATIONS FOR COMMUNICATIONS, UTILITIES AND OTHER RENT

Question: Last year you estimated obligations of $3,451,000 for communications, utilities and other rent in fiscal year 1985. This year's justifications indicate your final 1985 costs in this area were $4,224,000. What caused this cost increase of over 20 percent?

Answer: Actual obligations for communications, utilities, and other rent were $2,938,000 in fiscal year 1985. The amount of $4,224,000 was shown in this year's justification for budget display purposes to make fiscal year 1985 comparable to fiscal years 1986 and 1987. Beginning in fiscal year 1986 charges for MSHA space in the building owned by Carnegie-Mellon University, which were previously charged to the object class for contractual services, are being charged to the object class for rental payments to others.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will stand in recess until tomorrow morning at 9:30 when we will reconvene in this room to hear testimony on the fiscal year 1987 administration's budget request for departmental management, Occupational Safety and Health Administration, and Labor-Management Services.

[Whereupon, at 11:12 a.m., Wednesday, February 26, the subcommittee was recessed, to reconvene at 9:30 a.m., Thursday, February 27.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1987

THURSDAY, FEBRUARY 27, 1986

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker and Specter.

DEPARTMENT OF LABOR

DEPARTMENTAL MANAGEMENT

STATEMENT OF THOMAS C. KOMAREK, ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT

ACCOMPANIED BY:

J. BRIAN HYLAND, INSPECTOR GENERAL
DONALD SHASTEEN, ASSISTANT SECRETARY FOR VETERANS EMPLOYMENT AND TRAINING
HAROLD RUSSELL, CHAIRMAN, PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

PREPARED STATEMENTS

Senator WEICKER. This morning, we will be hearing from departmental management, Occupational Safety and Health Administration, and Labor-Management Services.

Tom, why don't you go ahead and introduce those with you. Your statement, in its entirety, will be included in the record, and you may synopsize.

[The statement follows:]

STATEMENT OF DONALD E. SHASTEEN

Thank you for this opportunity to discuss with you the Fiscal Year 1987 Department of Labor Budget proposal as it pertains to veterans' employment and training programs.

Before I provide details about budget matters, I would like to mention a few items about which we the Office of the Assistant Secretary for Veterans' Employment and Training (VETS) are especially pleased and enthusiastic. Making the Office of the Assistant Secretary for Veterans' Employment and Training the principal focus for administering veterans' programs within the Department has proven beneficial. The Vietnam-era veterans' unemployment rate (5.9%) now is below that of the general labor force (6.6%) in contrast to the situation four years ago. We believe improvements in the delivery of services have contributed to this progress.

For two years now we have operated a competitive grants program under the Job Training Partnership Act (JTPA Title IV-C), directed to meeting the needs of Vietnam-era, recently separated, and service-connected disabled veterans. We have been, and expect that we will continue to be successful in meeting those needs for two major reasons: the programs are planned at the State and local level; and, the grant process encourages the use of local matching funds. These factors should also contribute to achieving maximum results for our investment. Thus far, through this emphasis on matching funds, we have awarded about 140 grants and have almost doubled the amount available for special veterans' programs.

We have also had the opportunity to implement the Emergency Veterans' Job Training Program (EVJTA) in cooperation with the Veterans Administration. This major effort by two Federal agencies has proven to be very effective in helping long-term unemployed veterans. To date approximately 42,000 long-term unemployed veterans have been placed. In FY 1986, we are implementing P.L. 99-238, the successor to the EVJTA. The newest feature of this program is the "case manager" concept, under which the State Job Service agenices' Disabled Veterans' Outreach Program (DVOP) and Local Veterans' Employment Representatives (LVER) staff will take individual responsibility for ensuring the delivery of appropriate services to the program eligibles.

Additionally, we have seen improvement in the productivity of the State Job Service agencies for veterans, as measured by the degree of priority delivered to veterans. The most recent national data available showed that veterans comprised 12.7% of all Job Service applicant, and 13.7% of all individuals placed by the State agencies.

In addition to the employment and training services administered by the agency, the VETS also provides services authorized by Chapter 43 of Title 38, U.S. Code, to protect the reemployment rights of veterans and reservists. Such rights include not only pay and seniority protections while the individuals are on active duty, but also protection of pension righs. With such protection, our national defense is enhanced

since individuals, particularly reservists, would otherwise be reluctant to risk their full-time civilian jobs in order to serve in the military. Through efficient utilization of agency staff and emphasis upon settling cases through mediation rather than litigation, the agency is reducing case processing time, responding to more inquiries, and achieving resolution of more cases than in the past.

Overall, it is accurate to say that the Department is providing better services, more cost effectively, to veterans now than in the past, and that veterans' unemployment is declining significantly.

Our budget request for Fiscal Year 1987 is $131.5 million. Included in this amount is $118.4 million for grants-to-States, of which $69.5 million is for DVOPs and $48.9 million is for LVERs. The funding is for 279 Federal positions and 3,474 State agency positions allocated through grants-to-States.

The agency's request for DVOP and LVER funding is based upon the intention to maintain DVOP staff levels in accordance with the staffing formula set fourth in Section 2003 A of Title 38, U.S.C. DVOP staff provide direct services to veterans, as prescribed in the U.S.C., and one position is allocated for each 5300 Vietnam-era and disabled veterans residing in each State. These specialists are mandated by law to provide employment and employability development services to the most disadvantaged veterans, e.g., the disable and Vietnam-era veterans with severe barriers to employment.

LVER staffing will be reduced due to a demonstrated lack of need. Local Veterans Employment Representatives do not provide services directly to veterans to the degree that DVOP staff do, but instead are responsible for functional supervision of local offices' services to veterans. Since State Agencues are exceeding the quantitative performance standards, there is not the need for as much supervision as is now provided. The agency will provide funding for approximately 213 fewer LVER staff years in FY 1987 than in FY 1986. This will be effected primarily by reducing positions from full-time to a part-time basis in an estimated 450 local offices. The actual number affected will, of course, be dependent upon the actual position costs for FY 1987.

Emphasis will continue in FY 1987 on DVOP and LVER involvement in intensive job development and placement activity. In addition, these specialists will continue their efforts in coordination with service providers under the JTPA, community based sevice organizations, and other supportive service agencies to ensure the provision of comprehensive sevices to veterans.

For the JTPA Title IV-C program administered by the agency, the competitive grant application system for award of grants to the States and/or Service Delivery Areas will continue. The budget amount for Veterans' Employment Programs under JTPA, Title IV, Part C, is $10.5 million for FY 1987. As you are aware, Mr. Chairman, this funding level is determined by a formula contained in the Job Training Partnership Act. As I

stated earlier, we expect that we will continue to have an effective program due to the competitive structure and the preference given to those applicants that match or exceed the grant amount with local funds.

In closing, I would like to thank you for this opportunity to discuss the FY 1987 budget and how it affects veterans' programs. I am confident that with the requested budget we can continue the progress toward secure employment for all veterans and reservists, who with their dependents comprise approximately half of our nations populace. I will be pleased to answer any questions you may have.

Statement of Thomas C. Komarek

Mr. Chairman, members of the Subcommittee, thank you for this opportunity to appear before you. I am prepared today to outline for you the budget recommendations for the Departmental Management, Salaries and Expenses, and Special Foreign Currency appropriations.

Departmental Management -- Salaries and Expenses

Activities financed by this appropriation are responsible for formulating and overseeing the implementation of policy and management of the Department. In addition, this appropriation includes a variety of operating programs and activities which do not logically fall within the administration of other programs of the Department. In addition to providing funds for executive direction, adjudicatory, and management functions of the Department, this appropriation provides funds for:

the Bureau of International Labor Affairs,
the Solicitor's Office,
the President's Committee on Employment of the Handicapped,
the Women's Bureau, and
the Office of Civil Rights.

The budget request for Fiscal Year 1987 for the Departmental Management Salaries and Expenses appropriation is $125.5 million and 1,989 FTE, of which $103.9 million is from general funds, $.3 million is from the Unemployment Insurance Trust Fund and $21.4 million is from the Black Lung Disability Trust Fund within the Employment Standards Administration.

The Fiscal Year 1987 budget request reflects mandatory increases of $2,590,000 and program increases totalling $10,819,000 and 133 FTE offset by program decreases of $4,009,000 and 26 FTE for a net increase of $9,400,000 and 107 FTE. The program reductions are distributed as follows: $3,119,000 and 26 FTE as a result of productivity increases and a lower average cost per FTE; $890,000 as a result of workload changes in the Working Capital Fund. Program increases are distributed as follows: $5,152,000 and 81 FTE to process increased workloads across several activities and $2,994,000 for increased space rental costs and $956,000 and 30 FTE to allow the Solicitor's Office to handle increasing Longshore and

Harborworker's Section 8(f) claims, $396,000 and 10 FTE for the Solicitor's Office to litigate Black Lung cases, $402,000 and 12 FTE for the Benefits Review Board to handle increasing Black Lung appeals, $900,000 ADP support for the Administration and Management activity, $10,000 for Employee's Compensation Appeals Board (ECAB) printing funds and $9,000 for upgrading ECAB's word processing equipment.

Departmental Management -- Special Foreign Currency

The budget request for Special Foreign Currency in Fiscal Year 1987 totals $67,000 which will support foreign service consultation and travel to a small regional conference for all Labor attaches in the region. This regional conference will contribute significantly to efforts to acquaint labor attaches with the current reporting needs of the Department, discuss strategies for achieving U.S goals in the international labor field, and to consider methods for increasing the effectiveness of the Labor attache corps.

I appreciate the opportunity to appear before the Subcommittee. Here with me today are other officials of the Department whose organizations are funded by this appropriation. We will be happy to answer any questions.

Statement of Harold Russell

Mr. Chairman, it is a pleasure for me to appear before you today to testify on behalf of our Fiscal Year 1987 budget. I welcome the opportunity to share some of the new plans developed over the past few months by the President's Committee as it prepares to move with greater efficiency and accountability to meet the challenges of increasing employment opportunities for our nation's citizens with disabilities.

We have come before you, each year, with planned projects and a record of on-going activities. The President's Committee's many achievements have occurred through the unique blend of Federal level guidance, private sector support and volunteer expertise. The Committee was created in such a manner that it could be free to adopt and use the best from the national, state and local levels and to push its many projects beyond what more conventional federal entities could attain. A small staff with a large body of volunteer committee members has allowed the Committee to mobilize thousands of individuals to work toward increasing the opportunities for training, for employment, for advancement and for retention of persons with disabilities.

There are differences of opinions when we talk of unemployment rates among our disabled citizens. But there is no disagreement on the essential reality -- the majority, most of whom are capable and desirous of working, are unemployed or underemployed. The underutilization or the lack of utilization of the skills and abilities of our citizens with disabilities and the nation. The high cost of this practice continues to add to the Federal deficit. The current fiscal crisis gives added incentive to modify our attitudes about disabilities and to build an environment in which persons with disabilities have every

opportunity to move into work situations and out of dependency roles.

In order for the Committee to more effectively address this crisis, we are restructuring our total operation. We are reorganizing the Committee and the staff in order to revitalize our spirit, renew our commitment and redirect our efforts.

The Committee today is ready to face the challenge with a vigorous attack on the array of barriers that have separated disabled citizens form their dreams of full participation. And, at the same time we are aware of the call for leaner and more responsive programs.

In FY 1987, our concentration will be in these areas: 1) to develop a 5-year action plan based upon employment issues and needs of persons with disabilities; 2) to work with the Social Security Administration, insurance carriers and others to reduce discentives that prohibit or discourage persons with disabilities from entering the labor force; 3) to continue to expand and promote the Job Accommodation Network (a national computerized service for employers, providing information about accommodations for workers who are disabled); 4) to provide technical, legislative and program support to the employment efforts of the Governors' and local Committees on Employment of the Handicapped to increase employment opportunities at the grass-roots level; 5) to advise the President on policy, consult the Congress on legislation, and coordinate with the administration on the development and enforcement of regulations; 6) to continue to hold State and local cross-curring conferences, "Pathways to Employment", bringing together leaders from a variety of walks of life to discuss how people with disabilities can be prepared for jobs with promotional opportunities; 7) to develop projects which would bring people with severe disabilities into the labor force, e.g., a national conference on work incentives for people with disabilities to seek employment; 8) to implement a high school/high tech project for disabled students around the country; 9) to serve as the national resource on employment needs of people with disabilities; and 10) to gather and disseminate information and technical assistance.

Mr. Chairman and Members of the Committee, you and I share the same goal -- a Nation that recognized the dignity, equality and the need for independence for every one of its citizens. You are ready -- I am ready -- and the President's Committee is ready. TOGETHER, we can make it happen! Thank you.

Statement of J. Brian Hyland

Mr. Chairman, members of the Subcommittee, I appreciate this opportunity to appear before you to discuss the Fiscal Year 1987 budget request for the Office of Inspector General in the Department of Labor.

As you know, the Office of Inspector General (OIG) in the Department of Lbor (DOL) was established by the Inspector General Act of 1978. The responsibilities we are charged to carry out include: recommending policies to prevent and detect fraud, waste,

and abuse in DOL activities and programs and increase economy and efficency; conducting, supervising and coordinating audits and investigations relating to DOL programs and activities; informing the Secretary of Labor and the Congress about problems and corrective actions taken in the administration of DOL activities and programs; and reviewing legislation and regulations to assess fraud, waste, and abuse potential and make recommendations to the DOL and the Congress. Additionally, the DOL OIG is assigned the responsibilitiy and authority to investigate organized crime's influence and impact on labor organizations' employee benefit plans, union benefit plans, and labor-related activities.

The 1987 Budget request of the Office of Inspector General represents a net increase of $1,223,000 above the 1986 amount.

The OIG achieves its goals through four office activities: The Office of Audit, the Office of Investigations, the Office of Labor Racketeering, and an Executive Direction and Management activity.

The Fiscal Year 1987 budget request for the Office of Audit activity totals $24,475,000 and 271 FTEs. Together with $8.3 million in audit contracting funds, the Office of Audit will be able to provide the equivalent of 382 staff years of audit effort to review critical departmental programs and activities.

In Fiscal Year 1987 the substantial commitments to the areas of departmental ADP management and operations and financial management will be maintained at Fiscal Year 1986 levels. The Office of Audit's efforts to facilitate the effective implementation of the Single Audit Act of 1984 will be renewed. Audit coverage of many other departmental programs and activities will reflect marginal changes. At this request level, this office anticipates performing a total of 200 audits, reviews, and studies.

The Fiscal Year 1987 budget request for the Office of Investigations (OI) activity totals $6,976,000 and 113 FTEs.

During Fiscal Year 1987, the OI's emphasis will be placed on plans to ensure efficient and effective use of staff resources to deliver improved quality cases. The total number of investigations will increase over 1986 levels.

While the staff effort committed to the Unemployment Insurance (UI) program will be decreased to 32 FTEs, we will handle approximately 640 UI cases nontheless. This will be accomplished through the use of "clustering" procedures we have developed to gather individual cases into groups for prosecution. These techniques will also be used to Mine Workers Compensation investigations.

The Fiscal Year 1987 budget request for the Office of Labor Racketeering (OLR) activity totals $6,323,000 and 101 FTEs.

The OLR implements and coordinates a program to conduct investigations which are prosecuted by the U.S. Attorneys Offices, the U.S. Department of Justice Strike Force Offices, and selected state prosecutors. The OLR also coordinates its program with the

Office of Labor Management Standards and the Pension and Welfare Benefits Administration.

With the requested resources, this office will continue to investigate abuse of benefits plans and penetration of unions by organized crime and racketeering elements, especially in the areas of construction, waterfront, transportation, and service industries. As a result of the consolidation of OLR resources in densely populated geographic areas, we plan to complete more investigations in Fiscal Year 1987. OLR will continue to devote approximately 65 percent of its attention to abuses of benefit plans.

The budget request for the Executive Direction and Management (EDM) activity totals $3,711,000 and 45 FTEs. This represents a reduction of 2 FTEs and $1,123,000 from the 1986 level.

The Executive Direction and Management activity provides for management direction as well as planning, evaluation, legislative liaison, personnel operations, financial management, and administrative support functions necessary to carry out the nationwide responsibilities of the OIG on a timely and cost-effective basis. The major objectives of the activity are to provide effective management, to consolidate administrative support functions, to develop improved management information and automated data processing systems, and to coordinate staff and resource management. EDM is also responsible for the initiatives in the ethics and integrity training and awareness program.

The emphasis of the EDM activity will be to improve the efficiency and effectiveness of management and administrative support operations. Action will be taken to achieve optimum utilization of personnel resources.

Mr. Chairman, that concludes my statement. I would be pleased to answer your questions.

Biography of Thomas C. Komarek

On October 7, 1983, Mr. Komarek was appointed Assistant Secretary of Labor for Administration and Management by Secretary of Labor Donovan with the President's approval. In this new position, he is responsible for directing the Department's activities in the areas of budget, personnel, administrative services, and information technology. Mr. Komarek also directs the Department's civil rights activities, internal equal employment opportunity program, and regional management activities.

Mr. Komarek came to work for the Employment and Training Administration (ETA) of the Department of Labor in 1971 as the Regional Financial Manager in the Boston Region. In Boston, he served in a variety of positions and left there as the Deputy Regional Administrator. Subsequently, he has served as Regional Administrator in Chicago and New York, and as ETA Comptroller in Washington, D. C. He was appointed Administrator, Financial Control and Management Systems in October 1981.

Mr. Komarek spent four years in the Air Force as an officer, followed by a year with Ingersoll Rand, Inc., as a Personnel Manager. He began his government career as a civilian in 1966 with the Post Office Department in Boston. He worked both in postal operations and financial management.

Mr. Komarek grew up in Omaha, Nebraska. He graduated from Dartmouth College with a degree in Economics. He also received a Master's degree in Business Administration from Northeastern University.

Mr. Komarek lives in the District of Columbia with his wife, Judy, and has two sons.

Biography of Harold Russell

Harold Russell has served as Chairman of the President's Committee on Employment of the Handicapped under five Presidents. He was appointed Chairman by President Johnson on April 18, 1964. And, he served under President Richard M. Nixon, President Jerry Ford, President Jimmy Carter and President Ronald Reagan. Before becoming Chairman, he served as Vice Chairman. He was appointed to this position by President John F. Kennedy in 1962. Mr. Russell a volunteer Chairman, devotes a major portion of his time to the President's Committee duties. He travels extensively promoting employment opportunities for persons with disabilities. Mr. Russell is also president of Harold Russell Associates, Inc., an affirmative action consulting firm in Massachusetts.

While serving as a sergeant and paratrooper instructor during World War II, he lost both hands in a war-time training accident in the Army, and became a national symbol of courage when he portrayed the role of Homer Parrish, a handless sailor in the movie, "The Best Years of Our Lives." For his performance he received two Motion Picture Academy Awards. In the spring of 1980, Mr. Russell completed a new movie, "Inside Moves," directed by Dick Donner. In 1949 Mr. Russell wrote his autobiography, Victory in My Hands, which has been translated into 20 languages and subsequently has written another book entitled Best Years.

Mr. Russell is a past National Commander of AMVETS, and is the only AMVET National Commander to serve three terms. He has served as Vice President of the World Veterans Fund, Inc., and has traveled throughout the world working with the world Veterans Federation, which he helped to organize.

In addition to the above accomplishments, Mr. Russell has worked with the American Red Cross, the National Conference of Christians and Jews, the Anti-Defamation League of B'nai B'rith and the National Easter Seal Society. He has served on the National Council on Vocational Rehabilitation from 1966-68, and is now a member of the Massachusetts Industrial Accident Rehabilitation Commission, the Advisory Council of Goodwill Industries of America, the People-to-People Committee for the Handicapped Board, and the National Restaurant Association.

Born in Sydney, Nova Scotia, Mr. Russell moved to Boston, Massachusetts, with his family at the age of six, following the death of his father, a telegraph manager. He attended public schools in Boston and nearby Cambridge, graduating from high school in 1933. He and his wife Betty reside in Hyannis, Massachusetts.

Biography of Donald E. Shasteen

Donald E. Shasteen was confirmed as Assistant Secretary for Veterans' Employment and Training by the Senate on June 19, 1985.

As Assistant Secretary, Mr. Shasteen is the principal advisor to the Secretary of Labor with respect to the formulation and implementation of departmental policies and procedures to carry out the purposes of Chapter 41, Chapter 42 and Chapter 43 of Title 38, United States Code; and all other Department of Labor employment and training programs to the extent they affect veterans.

Prior to his appointment as Assistant Secretary, Mr. Shasteen served as Deputy Assistant Secretary for Veterans' Employment from January 31, 1983, and as Deputy Under Secretary for Legislation and Intergovernmental Relations in the Labor Department from February 1981.

Mr. Shasteen is a Capitol Hill veteran and former news reporter and executive. He was the Republican nominee for the U.S. Senate from Nebraska in 1978. Following President Reagan's election in 1980, Mr. Shasteen served as co-director of the Senate transition assistance team for the Senate Republican Conference, providing orientation for new Republican senators.

A graduate of the University of Colorado at Boulder, Mr. Shasteen was a statehouse reporter with the Omaha World Herald and a reporter for the Casper, Wyoming, Tribune Herald. He served in a U.S. Army psychological warfare unit in 1951 and 1952.

Mr. Shasteen was executive assistant to Senator Carl T. Curtis of Nebraska from 1966 to 1973, and administrative assistant from 1973 to 1978. Mr. Shasteen was administrative assistant to Senator Gordon J. Humphrey of New Hampshire in 1979 and 1980.

Mr. Shasteen is a part president of the U.S. Senate Association of Administrative Assistants.

In addition to his work on the Senate transition team in 1980, he was also managing editor of the news division of the Broadcast Consultant Corportation of Leesburg, Virginia.

A native of Englewood, Colorado, he is married and has two sons and two daughters. He lives with his wife, Shirley Mae, in Potomac, Maryland.

Biography of J. Brian Hyland

Mr. Hyland was nominated by President Reagan as Inspector General on April 4, 1983 and confirmed on August 3, 1983. Until his confirmation as Inspector General, he served as Deputy Inspector General.

Mr. Hyland had served as NASA's Deputy Inspector General since October 1980, and before that as NASA's Assistant Inspector General for Investigations.

Mr. Hyland served as Inspector with the FBI in Washington, D.C., and as Director on the Surveys and Investigations Staff Appropriation Committee in the U.S. House of Representatives from 1975 to 1979. From 1971 to 1975, he was Chief of the Business and Finance Section of the FBI Academy. He served as a Special Agent for about 11 years after working, upon graduation from college, as an auditor with Ernst and Ernst, one of the "Big Eight" national auditing firms.

Mr. Hyland earned his B.S. degree in Accounting at Fordham University in New York in 1960 and a Master's degree in Business Administration at George Washington University in Washington, D. C., in 1972. He is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. He was the national president of the Association of Federal Investigators during 1981-1982, and continues to remain active in the organization.

INTRODUCTION OF ASSOCIATES

Mr. KOMAREK. Yes, Senator.

This is the Department's request for the departmental management appropriation.

I have with me, at the table, the inspector general, Brian Hyland; the Assistant Secretary for Veterans Employment and Training [ASVET], Donald Shasteen; and, on my left, the Chairman of the President's Committee on Employment of the Handicapped, Mr. Harold Russell.

Basically, Mr. Chairman, this is an account in the Department in which we lump together many of the smaller agencies within the Department, smaller, but important. I have behind me, representatives from those agencies in case we have to ask particular questions of those particular agencies.

With that, I would like, Mr. Chairman, to turn to Mr. Hyland to see if he has any additional points he would like to mention.

OFFICE OF INSPECTOR GENERAL BUDGET REQUEST

Mr. HYLAND. Mr. Chairman, thank you.

My appropriation request for 1987 is $41,485,000. This is $852,000 below the appropriation approved by the Congress in fiscal year 1986. It does restore $1,123,000 over the adjusted level for 1986 after the implementation of the Gramm-Rudman Act.

Each of the components within my office will receive a minor reduction in staffing. The Office of Audit will lose 25 FTE's; the Office of Investigations will lose 3 FTE's; the Office of Labor Racketeering will also lose 3 FTE's; and the Office of Executive Direction and Management within the Office of the Inspector General will lose 5 FTE's.

However, I think, at this level, we will be able to do the job that we have been entrusted to do under the Inspector General Act.

ASVET BUDGET REQUEST

Mr. SHASTEEN. Mr. Chairman, I would prefer to submit my statement for the record and just summarize very briefly.

Our Veterans Employment and Training Service budget request for fiscal year 1987 is $1.45 million below the fiscal year 1986 appropriation, yet it does provide adequate funding for all congressionally mandated Federal and State administered veterans program positions.

In our own agency, we will have a reduction of 3 personnel, from 282 to 279, with just a slight increase in appropriation of $688,000 above the Gramm-Rudman level that we are operating on now.

For the disabled veterans, the special veterans program, we have the Disabled Veterans Outreach Program [DVOP], the Local Veterans Employment Representative [LVER] Program, and the performance standards that we impose on the State administered job service agencies, and those have been relatively successful in reducing veterans unemployment.

Our request is based on the perception that among the unemployed

veteran population, the greatest need is for employability development and supportive services, to assist the veterans who are the most disadvantaged. That is to say, veterans unemployment is now below the 6 percent; the nationwide rate that we have for all veterans, according to the most recent figures, is 5.1 percent. For Vietnam era veterans, this past month, it was 5.9 percent compared to the national rate for the general population of 6.6 percent.

Therefore, to balance the need for service with the need for deficit reductions, our budget request features a requested increase in Job Training Partnership Act title IV(c) funds for training and supportive services, maintenance of the Disabled Veterans Outreach Program, staffed at the numbers mandated by title 38, and a reduction in the Local Veterans Employment Representatives Program by 213 positions.

That sums up our budget request to you.

Senator WEICKER. Thank you.

PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Mr. Russell, why don't you proceed.

Mr. RUSSELL. Mr. Chairman, before I begin my prepared statement, I would like to introduce Mr. Jay Rochlin, who is on an executive loan from AT&T. He is Acting Executive Director of the President's committee.

In 1984, you were kind enough to send a letter to Mr. Charles Brown, C.E.O. of AT&T and talked particularly about the job AT&T is doing, and particularly the job of human resources manager, Jay Rochlin. I am very proud and very happy to have him on board. We are pleased to have his tremendous talent to help us organize the President's Committee on Employment of the Handicapped.

Mr. Chairman, it is a pleasure for me to appear before you today to testify on behalf of fiscal year 1987 budget. I welcome the opportunity to share some of the new plans developed over the past few months by the President's committee as it prepares to move with greater efficiency and accountability to meet the challenges of increasing employment opportunities for our Nation's citizens with disabilities.

As you know, we have come before you each year with planned projects and a record of ongoing activities. The President's committee's many achievements have occurred through the unique blend of Federal level guidance, private sector support, and volunteer expertise.

The committee was created in such a manner that it could be free to adopt and use the best from the national, State, and local levels and to push its many projects beyond what more conventional activities could attain. A small staff, with a large body of volunteer committee members, has allowed the committee to mobilize virtually thousands of individuals to work toward increasing the opportunities for training, for employment, for advancement, and for retention of persons with disabilities.

There are differences of opinion, of course, when we talk about unemployment rates among our disabled citizens, but there is no disagree-

ment on the essential reality, the majority of whom are capable and desirous of working, are unemployed or underemployed.

The underutilization or the lack of utilization of the skills and abilities of our citizens with disabilities has been devastating to both people with disabilities and the Nation. The high cost of this practice continues to add to the Federal deficit. The current fiscal year crisis gives added incentive to modify our attitudes about disabilities and to build an environment in which persons with disabilities have every opportunity to move into work situations and out of dependency roles.

In order for the committee to more effectively address this crisis, we are restructuring our total operation. We are reorganizing the committee and the staff in order to revitalize our spirit and renew our commitment, and redirect our efforts.

The committee today, Mr. Chairman, is ready to face the challenge with a vigorous attack on the array of barriers that have separated disabled citizens from their dreams of full participation, and at the same time, Mr. Chairman, we are aware of the call for leaner and more responsive programs.

So in fiscal year 1987, our concentration will be in these areas. One, to develop a 5-year action plan based upon employment issues and needs of persons with disabilities; two, to work with the Social Security Administration, insurance carriers, and other responsible agencies to help reduce disincentives that prohibit or discourage persons with disabilities from entering the labor force; three, to continue to expand and promote the job accommodation network, a national computerized service for employers, providing information about accommodations for workers who are disabled; four, to provide technical, legislative, and program support to the employment efforts of the Governors and local committees on employment of the handicapped to increase employment opportunities at the grassroots level; five, to advise the President on policy, consult with the Congress on legislation, and coordinate with the administration on the development of regulations; six, to continue to hold State and local cross-cutting conferences, pathways to employment, bringing together leaders from a variety of walks of life to discuss how people with disabilities can be prepared for real jobs with promotional opportunities; seven, to develop projects which could bring people with severe disabilities into the labor force, for example, a national conference on work incentives for people with disabilities to seek employment; to implement a high school/high tech project for disabled students around the country; to serve as the national resource on employment needs of people with disabilities; and finally, to gather and disseminate information and technical assistance.

Mr. Chairman, you and I share the same goal—a nation that recognizes the dignity, equality, and the need for independence for every one of its citizens. You are ready, I am ready, and the President's committee is ready. Together, we can make it happen.

Thank you very much, sir.

Senator WEICKER. On the matter of the veterans situation, can you assure me that this year's budget is enough to meet all the statutory requirements, specifically the disabled veterans outreach specialist for each 5,300 disabled and Vietnam era veterans?

Mr. SHASTEEN. Yes, sir; that is correct, it will. There will be 1,894 of those positions funded based on the veteran population.

Senator WEICKER. Why are you cutting the fiscal year 1987 budget for local veterans employment representatives by $6 million and 213 staff positions?

Mr. SHASTEEN. The LVER Program authorizes the Secretary to issue waivers based on a demonstrated lack of need for the services provided by the local veteran employment representative.

LVER's are primarily supervisory personnel. Because of the improvement in the veterans unemployment rate, and because of the improvement in meeting performance standards by the States, we feel that there is not the need for supervision that we have had in the past. But we are retaining all of the positions that provide direct service to veterans, and those are DVOP positions.

Senator WEICKER. I am going to get on these figures later with Mr. Russell, but for a moment let's concentrate on your area.

The figures that were developed by the National Council on the Handicapped indicate that there are roughly—you are talking of a disabled population of 27 million, and of the 27 million, roughly two-thirds are without work. Of the two-thirds that are without work, at least two-thirds would like to be working.

This is a matter of broad ramifications with the Secretary. Clearly within the population that I am talking about there must be a substantial number of veterans who are disabled.

Mr. SHASTEEN. Yes; there are, sir, and they have our top priority. What we are doing now with the overall veterans unemployment, we are concentrating and we are targeting those groups that have serious problems, first of all, the disabled veterans, through the increase that we have requested under the Job Training Partnership Act.

Under the current funding that we have for the Job Training Partnership Act, we are targeting those funds for special projects that provide direct training leading to a job for disabled veterans, as well as for that group of Vietnam era veterans in the high unemployment age area, that is from age 30 through 34, even up to 39. The 30 to 34 cohort has the highest unemployment rate among the Vietnam era veterans. Those are the young ones who were sent to Vietnam as teenagers, who came back, who didn't have a good foundation before they went, a good educational foundation. They came back, and many of them have not held a steady job since.

We are targeting, putting our resources into projects under the Job Training Partnership Act, using the DVOP's, the LVER's, and the local job service offices to help us identify those in need and then targeting in a more individualized way than we have ever done in the past.

Senator WEICKER. Mr. Russell, your opening statement mentions providing technical and legislative and program support to the employment efforts of the Governors and local committees on employment of the handicapped. Yet, I have a letter from the Rhode Island Commission on the Handicapped stating, and I quote, "As far back as 1979, the Northeastern Governors Committees were expressing no confidence in the Presidential Commission."

In that letter that was sent to my subcommittee by the executive secretary of the Governors Commission on the Handicapped for the State of Rhode Island, he states:

> About 70 percent of the State committees have evolved from Committees on Employment of the Handicapped to more broad-based committees, that the State executive committees be directed to, (1) hold discussions with the National Council on the Handicapped [NCH], and other Federal advisory bodies relative to establishing a formal working relationship with each; and (2) to prepare for the consideration at the next annual conference of bylaw changes to formalize these new working relationships.
>
> Rhode Island, along with New York State advocates, and others, have urged your subcommittee several times in the past to investigate the operations of PCEH, and its relationship to other Federal advisory councils on people with disabilities. As far back as 1979, the Northeastern Governors Committees were expressing no confidence in the PCEH.

Would you like to comment on that?

Mr. RUSSELL. Mr. Chairman, may I respond to that by saying, first of all, we did a recent study and we find that 57 percent of the Governors committees are Governors Committee on Employment of the Handicapped, and the other 43 percent are broad-based.

Second, I certainly confess, as I told you before, we are not without sin. We are totally reorganizing this committee. We have brought ourselves in close communication and association with our Governors committees. We have worked with Mr. Smith in New York, and other key representatives of the Governors committees, bringing them into full partnership. Not that the President's committee is above them, but that the President's committee is with them, developing lines of communication, developing lines of sharing information and programs so that we may act as partners.

I am certainly not here, Mr. Chairman, respectfully, to talk about what happened in the past. I am looking into the future, and I see the future as one where we have a complete and total reorganization, beginning with staff, then all the functions and programs of the President's committee, including the executive committee.

We held a retreat in mid-December, where we brought together 25 top experts, of whom 50 percent or more were people with disabilities, to talk about the future mission of the President's committee.

Let me say this, if I may, Mr. Chairman. I request that we have the opportunity to continue our work and that is what we seek today. Whatever happened in the past, as chairman, I accept full responsibility, but this is a new day and a new time.

Senator WEICKER. I think that both of us have in mind getting the maximum assistance, both in terms of funding and advocacy, to the handicapped. You feel as strongly about that as I do, and you have certainly committed your life to it.

Now, clearly, choices have to be made. Since the President's Commission was established there have been legislative changes, specifically the National Council on the Handicapped has been established by law, and in the conference report for last year, amendment No. 17 earmarks $2,136,000 for the President's Committee on Employment of the Handicapped proposed by the House, instead of $1 million as proposed by the Senate.

The conferees note that in 1986, the National Council on the Handicapped will be the subject of reauthorization. If the NCH is provided the statutory authority now given by Executive order to the President's Committee on Employment of the Handicapped, the conferees agree that 1987 funding for the PCH functions will be provided instead to the National Council on the Handicapped.

The conferees urge the President's Commission on Employment of the Handicapped leadership and staff to work with the National Council on the Handicapped to assure an orderly transition.

I think that this is what we are dealing with, pure and simple.

Mr. RUSSELL. Very frankly, Mr. Chairman——

Senator WEICKER. I am anxious to have your comments as to exactly what is being done in this regard. Clearly, we have two elements here that are duplicative. One is now a creature of statute, rather than an Executive order, and it is clearly equipped to do the job. The members are appointed, again, by the President.

I think, at a time when the entire budget is being gone over with a fine tooth comb, what we want to do is to make sure that the administration costs and the Commission costs are held at a minimal level, with the moneys going to direct help of the handicapped.

Would you like to give me an update as to this transition of going from two commissions to one.

Mr. RUSSELL. Let me first respond, if I may, Mr. Chairman, by saying that we have had informal discussion, productive discussions with some of the responsible members of the National Council on the Handicapped.

It is our profound view, our sincere view that the two organizations are totally different. The Council on the Handicapped is charged with monitoring Federal programs and reporting. We are charged with enhancing employment opportunities under the banner of the President of the United States.

I have had the distinct honor and privilege of serving since the committee was created under President Truman and I have had the privilege of serving all the Presidents since then, both Republican and Democrat. I have been delighted to have had the opportunity to serve and involve literally thousands of volunteers in our organization. We

are a 600-member organization, 300 individuals and 300 organizations. They come to serve because this is the President's Committee on Employment of the Handicapped.

Fifteen percent of our membership are employers from some of the largest corporations in this country and 16 percent of our membership are disabled individuals or organizations representing people with disabilities and we comprise all of this and more.

What I am saying, respectfully, Mr. Chairman, is that the two organizations have totally different missions, and I believe that with the great emergency facing us today, with the Federal Government noting itself that there has been a 71.4-percent increase in severe disabilities during the 1970's, our work continues to be needed.

Each year, Mr. Chairman, we put 10,000 to 15,000 young people in wheelchairs as a result of spinal cord injuries from recreation accidents alone. These people are going to grow up and they are going to be with us a long time, due to modern medical techniques. They need some kind of assurance that employment and training opportunities will be available.

We have great admiration for the National Council on the Handicapped. We have read very carefully their report, and we think they have an important mission. We are delighted to cooperate and support in any way we possibly can. We distinctly believe, Mr. Chairman, that there is a need for two different organizations, one doing the monitoring work, and one doing the kind of promotional work, and the job of bringing talented volunteers that money could not buy, which would cost the Federal Government millions of dollars to secure the talent of these people, that serve with us voluntarily, that work at their own expense, and come at their own expense.

I am convinced, having talked to a number of them, that they would not be able at this point to serve under a different kind of an organization one that does not focus solely on employment or that doesn't involve the President of the United States.

Senator WEICKER. In other words, you feel that if the transition does take place, those who are serving the handicapped within your organization will cease to do so; is that correct?

Mr. RUSSELL. I feel very strongly. As you know, Mr. Chairman, I serve——

Senator WEICKER. I am asking you a question. Is that correct?

Mr. RUSSELL. Yes, Mr. Chairman.

Senator WEICKER. Would you please provide, for the record, a list of ongoing programs that directly relate—that are conducted by your organization—to training skills, or education of the handicapped.

Mr. RUSSELL. Yes.

[The information follows:]

PCEH PROGRAMS

The following is a listing of the President's Committee on Employment of the Handicapped programs that directly contribute to the advancement of education and skill training opportunities for disabled youth and adults.

1. Transition from School to Work

The President's Committee was the first group to focus the Nation's attention on the employment related problems facing disabled youth. Our efforts began in 1975. We held the first national meeting on the subject in 1976 and another in 1979. Here's more of what we have done in this important area:

a "Pathways to Employment" - These are crosscutting community conferences, bringing together a wide variety of local leaders and disabled people, to examine how they can better prepare disabled youth for the world of work. Each community develops an action plan to follow to improve programming. So far, we've held 25 "Pathways" meetings in all parts of the country. Six more will be held this Spring. More are planned for later this year.

b "World of Work" - A special new instructional kit providing videotapes and course outline has been prepared by the President's Committee for use by classroom teachers serving disabled learners. Employers are an integral part of the program.

c "High School/High Tech" - This project brings together promising disabled high school students and local hi-tech employers, to give the student an assist to pursue careers in the sciences. Two demonstration programs are underway. More are expected.

d "Materials" - The President's Committee has written and distributed tens of thousands of copies of materials on transition or school-to-work related topics.

2. JTPA

The president's Committee took the lead in identifying problem areas facing handicapped people under the new "Job Training Partnership Act." We helped to engineer a major regulatory modification which broadened opportunities for them under the Act (i.e., the "family of one" authority for handicapped youth). We informed our cooperating state governors' committees on all aspects of JTPA. And, we monitored the involvement of disabled people in JTPA through a data collection project.

3. FORUMS: DISABLED VETERAN SPEAK OUT

Forums have been held in various parts of the country, giving disabled veterans a chance to speak out about their vocational needs, met and unmet. There are no other forums like this in the United States. So far, seven forums have been held. They are sponsored by volunteer members who represent leading veterans' organizations. A report to the Nation on the series' findings has been prepared and distributed. Special briefings were held for Administration officials, the Senate and the House.

Here are some additional activities of the President's Committee on Employment of the Handicapped which may not directly contribute to education, but do serve the employment needs of persons with disabilities:

1. JOB ACCOMMODATION NETWORK (JAN)

JAN is a national computerized support service to enhance placement possibilities for disabled people. It puts employers in touch with other employers who have made job accommodations for disabled workers in similar circumstances, and it provides employers with access to technical information. The system also assists employers in fulfilling their affirmative action obligations. JAN was created by volunteer employers who are members of the President's Committee. As a free service, it has been funded by the National Institute of Handicapped Research and the Rehabilitation Services Administration, yet leadership and in-kind contributions still come from the President's Committee's volunteer-employers - a good example of public/private sector cooperation.

2. THE ANNUAL MEETING

The Annual Meeting, held the first part of May, is a major event in the disability world. It brings together nearly 3,000 people from a wide variety of backgrounds: labor, management, rehabilitation, education, training, volunteer groups, the professions, disability, public sector, and private sector. There is no other forum that allows for a mixture of key groups in society. Its overall purpose is to provide updates in the employment of disabled people.

3. ARCHITECTURAL BARRIERS

The President's Committee serves as a lead agency in the preparation and revision of American National Standards Institute standards on architectural barriers. Also, the President's Committee has taken the lead in developing procedures for evacuating disabled people from employment sites in case of emergency. Handbooks have been published.

4. NETH WEEK

"National Employ the Handicapped" Week, (NETH Week) is a Congressionally mandated observance which takes place during the first full week in October. Our charge is to

develop specialized NETH Week public relations materials on employment and disabled people and to distribute them to the print and electronic media as well as state and local committees.

5. THE STATES

Almost all States have Governors' Committees on the Handicapped. The President's Committee provides State Governors' Committees with technical assistance, training, and model projects relating to work preparation and employment.

6. DISABLED-USA

Disabled-USA is the quarterly magazine of the President's Committee. It's a point of expression for the variety of groups involved in our programs and in developing jobs for disabled people; education and training issues often are featured.

7. DATA

The President's Committee has pulled together data from the 1980 Census and the 1982 Current Population Report to write four booklets on statistics about disabled adults. One deals with disabled adults generally; another, disabled women; a third, disabled Blacks; a fourth, disabled Hispanics.

8. OCCUPATIONAL MEDICINE

Leading occupational physicians of the United States, all members of the President's Committee, have been holding yearly seminars, addressing the work potential of people with specific disabilities. Results are published and widely distributed. So far, conditions taken up have been heart problems, diabetes, alcoholism, musculo-skeletal conditions, pain as a disabling condition, mental illness and epilepsy.

9. MENTAL RETARDATION

The President's Committee was the first organization in the United States to bring out publications on jobs and preparing for jobs, written exclusively for retarded people. Also, the President's Committee was one of the first agencies to support a new organization made up of retarded people themselves.

10. DISABLED AMERICANS AT WORK

The President's Committee and the Dole Foundation joined forces in the publication of a handsome picture book, showing more than 50 disabled people at work in a variety of occupations. This publication was written by employers and for employers. Funds came from employers for its publication.

11. INSPIRE '85

This international forum and festival on employment, sports, arts and recreation for disabled people, held September 17-21, 1985, was a remarkable bringing-together of the general public and disabled people. Highlights included a White House performance of disabled artists hosted by Mrs. Reagan, a Presidential 10-K race, a major meeting centering around employment in leisure-time enterprises, and a festival on the Mall.

12. NATIONAL ADVERTISING CAMPAIGN

The President's Committee annually distributes to businesses, consumers, and trade magazines over 5,000 kits developed and designed to generate a print advertising campaign on behalf of people with disabilities. The print campaign traditionally attracts millions of dollars in donated public service space from the nation's press.

13. NATIONAL RECOGNITION PROGRAM

The President's Committee offers a number of awards and honors which recognize outstanding achievement by employers, organizations and individuals. Each year an outstanding disabled American citizen is honored. In addition, both a large and small employer are recognized for their efforts in developing work opportunities for disabled people. A Physician of the Year is honored. And, lastly, a media award is given to the producer of a program which has rendered an outstanding presentation of disabled people.

14. LEGISLATIVE INFORMATION AND MONITORING SERVICES

The President's Committee provides up-to-date information on legislative matters relating to employment to State Governors' Committees as well as to other government agencies, trade associations, advocacy groups and individuals.

15. NATIONAL CONTESTS

In an effort to sensitize youth to the abilities of disabled people, the President's Committee, in cooperation with Governors' Committees and interested organizations, operates two national contests. These are a journalism contest and a poster or graphics contest.

This is a summary of the variety of activities and projects regularly pursued by the President's Committee on Employment of the Handicapped.

AUTHORITY OF NATIONAL COUNCIL ON THE HANDICAPPED

Senator WEICKER. Now, let's get one thing clear as far as the law is concerned. The National Council on the Handicapped, its authority is not to monitor, it is to advise the Congress and the President on all issues relative to the disabled. It is not a monitoring organization.

Point No. 2, would you care to comment, then, on the latest report which was issued by virtue of the National Council on the Handicapped relative to a Harris poll, which was presented to the Subcommittee on the Handicapped several days ago, that is the first accurate measure of the disabled population in this country, and it didn't come from your organization, but from the National Council on the Handicapped.

Mr. RUSSELL. I am not being critical of the National Council, Mr. Chairman. We have admiration for it.

Senator WEICKER. The figures that I was discussing earlier with Mr. Shasteen came from that report. Would you care to comment on behalf of the President's Committee on the Handicapped as to the fact that vocational rehabilitation is cut in this year's budget to the point where 87,000 less disabled will be served? I haven't heard from your Commission on that.

Mr. RUSSELL. Mr. Chairman——

Senator WEICKER. I haven't heard from your Commission on the fact that in the 3 years that I have been the chairman of this particular subcommittee, and on the Subcommittee on the Handicapped and the role that I play there, for all the years of the Reagan administration, every single year has involved a new cut on programs for the disabled, for the handicapped, for the retarded, I never once received any sort of a comment or criticism from the President's Committee on Employment of the Handicapped.

You mentioned spinal cord injury. We are quite familiar on this committee with spinal cord injury since we fund the National Institutes of Health [NIH]. Every single year since I have been chairman of this subcommittee, we have received a request to cut the funds for spinal cord injury research over at NIH from the administration. I have never heard one word from the President's Committee on Employment of the Handicapped on that score.

I would like to know what your role is, because I think that the flag of the President of the United States can or cannot be a good thing, depending on the individual and his policies. When it comes to the policies relative to the disabled of this country, the handicapped of this country, believe me, I don't know which is worse, the Presidential budgets, or the silence of the President's Committee on Employment of the Handicapped.

Mr. RUSSELL. May I respond, Mr. Chairman, by saying, as I told you before, we have nothing but admiration and respect for your leadership throughout the years.

Let me say again we are not without sin. One of our major problems in the past has been our failure to communicate with the Congress and

others, and the perception was that we were not doing anything. We are now under a new reorganization plan developed by Mr. Jay Rochlin, which we have been working on for months and months. We will be in a position to prepare position papers and forward them to the White House, the appropriate and responsible Members of Congress, and their staff in regard to these many, many issues.

Obviously, as a disabled veteran and a private citizen, I deplore these cuts. I want to see my fellow citizens given every single opportunity, and we will do everything within our power through our organizations to make our voices heard.

Thank you, Mr. Chairman.

Senator WEICKER. I want to point out also that the membership of the National Council on the Handicapped, for the most part, are also ardent supporters of this President, yet they have had the courage to stand up and indicate their disagreement with him on the issues that I have referred to.

In any event, my suggestion at this time, and obviously this is only a hearing, and the subcommittee itself has to meet and go through the full committee, but I intend to follow the mandate of the 1986 conference as far as the appropriation is concerned, and also following it insofar as the reauthorization of the National Council on the Handicapped is concerned, and look to the transition and merger of these two units.

I really think that if you give thought to your comments, you don't mean what you say when you say that you have people, working with your organizations, that if you are part of the larger organization, will cease to work.

Mr. RUSSELL. Mr. Chairman, I mean it very, very much.

Senator WEICKER. Are you telling me that their devotion is to the committee and not to the cause.

Mr. RUSSELL. Mr. Chairman, may I respectfully say, that my devotion is to the cause or I would not be serving as a volunteer, I do not receive any pay. As a matter of fact, it costs me money. I do it because I believe in the opportunities that need to be presented to our disabled population. I wouldn't be here, as I told you before, if I didn't believe.

If the committee had no value, if it couldn't attract volunteers, I would be the first one, Mr. Chairman, to appear before you with this contention.

I don't believe that you can put apples and oranges together. I believe that they have to be separated. We are ready to support, however, in any way, as I said before, but we believe that a separate identity is terribly important for the President's committee to attract thousands of talented volunteers—I have all kinds of documentation on these volunteers—to best respond to the employment needs of citizens with disabilities.

Thank you, Mr. Chairman.

COMPLIANCE AUDIT PROGRAM

Senator WEICKER. Later this morning, the subcommittee will hear testimony about the appropriations for Labor-Management Services, including the Compliance Audit Program [CAP], where an 18-percent increase is requested.

Mr. Hyland, have you changed your assessment of the Compliance Audit Program from last year, when you testified that it was not an effective enforcement tool?

Mr. HYLAND. No, sir; we have not. A lot has taken place since last year in an effort to streamline the Compliance Enforcement Program, and changes are being made, specifically to reduce the amount of overhead in the national office, and to direct some of those resources into the field.

I think that they are going in the right direction, but we are still evaluating the effectiveness of these recently implemented changes.

Senator WEICKER. In your opinion, does the program merit a funding increase before we see if the changes have, indeed, been effective?

Mr. HYLAND. Under today's times, Senator, I would think the Compliance Audit Program does not.

OFFICE OF INSPECTOR GENERAL REDUCTIONS

Senator WEICKER. I gather the cuts in the Inspector General's Office were not matters initiated by the inspector general, nor maybe even indeed by the Secretary. Did those matters come to pass by virtue of discussion with OMB?

PRODUCTIVITY INITIATIVES

Mr. KOMAREK. There was a little bit of both. One of the things that we, in the Department, are proposing this year is a 3.2-percent productivity improvement throughout the Department. The President announced a program to try to improve the productivity of the entire Federal Government by 20 percent over 6 years. We, in the management of the Department, set a goal to try to improve productivity by 3.2 percent before the end of fiscal year 1987. That part of the reduction to the inspector general's budget did occur within the Department.

Some of the other reductions, I will let Brian speak further to this, have to do with trying to attempt to get to some bottom line number, which you discussed with the Secretary the other day. There are a lot of things in the Department of Labor that we think would be very good to do, but we are trying to get to a bottom line number, and one of the areas where there were cuts beyond the productivity area was Mr. Hyland's area. Perhaps Brian would like to add to that.

Mr. HYLAND. Mr. Chairman, with regard to the productivity issue, Office of Inspector General lost 11 FTE's. As a result of the Single Audit Act of 1984, it was decided that there should be a reduction in the number of Federal auditors, since they are no longer required to go out and do the financial compliance audits in the States. With that, we received an additional 25 FTE reduction in the number of auditors.

DISPLACED HOMEMAKERS NETWORK

Senator WEICKER. In last year's committee report, you were asked to initiate the granting of funds for the displaced homemakers network in a more timely manner. How is the displaced homemaker network grant proceeding in fiscal year 1986?

Mr. KOMAREK. As far as I know, Mr. Chairman, there are no problems with that grant.

Senator WEICKER. Do you intend to renew this grant before the fourth quarter of this fiscal year?

Mr. KOMAREK. Mr. Chairman, at this point in time, it is in our funding plans, and that would be generally our intention, unless something unforeseen occurs.

PRESIDENT'S COMMITTEE ON EMPLOYMENT OF THE HANDICAPPED

Senator WEICKER. I have no further questions. I just want to again repeat, in order to be succinct, it will be my recommendation to the full committee that the $2.4 million that the President has requested for the President's Committee on Employment of the Handicapped be shifted over to the National Council on the Handicapped. So there won't be a nickel's less funding in the sense of the objectives, and I want to make that point clear in once again urging you to use your efforts and your time to get together with the National Council on the Handicapped in order that we might have the strongest possible effort, along the broadest possible front, for all the disabled of this country.

Mr. RUSSELL. Thank you, Mr. Chairman.

Senator WEICKER. I have no further direct questions.

Senator Specter.

Senator SPECTER. Thank you, Mr. Chairman.

At the outset, Senator Weicker, I commend you for your extraordinary diligence on this line, and I am prepared to support the recommendation that you make.

I have some questions which I would like to leave to be submitted for the record. There is a Judiciary Committee meeting in process right now, so I regret that I cannot stay, but I will follow the transcript, and I will work with you on this.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Thank you very much, Senator Specter.

There will be further questions for response to the record, Tom. We thank you all very much for your appearance.

Mr. RUSSELL. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

PCEH LOBBYING CAMPAIGN

Question: Last December, I received a letter from Harold Russell, Chairman of the President's Committee on Employment of the Handicapped, stating he had initiated explorations with the National Council of the Handicapped on a possible merger of the two organizations. Then in January, Mr. Russell wrote to the members of the President's Committee expressing his opposition to the merger, and alerting them to make their views known to the House and Senate Authorizing Committees. Is the President's Committee more interested in self-preservation than the mission of employing the handicapped?

Answer: No, we are not. The President's Committee's major interest and focus has always been and continues to be increased employment of individuals with disabilities. The Committee's main concern is that the employment needs of people with disabilities continue to receive the national focus, leadership, and attention of an independent, single purpose, Presidential organization. The National Council is charged with reviewing all Federal Government laws, policies, and programs affecting people with disabilities, including our own. The Committee believes that transferring the President's Committee's functions to the National Council would result in a diminution of concentration on employment and training as these issues would be competing for time, attention, and financial resources, with all other disability interests.

There can be no doubt of the need for a major, national effort to improve the employment status of the nation's citizens with disabilities.

In spite of all previous efforts, including those of the President's Committee and of Congress, which passed affirmative action, non-discrimination legislation, the 1980 Census and the 1981 and 1982 Current Population Surveys revealed that the number of persons with disabilities who do not participate in the labor force is alarmingly high. One reason for this fact is that during the decade of the 70's the rate of severe disabilities increased by 71.4%.

Some progress has been made. Those same surveys indicated that people with disabilities who are employed, earn basically the same salaries as do non-disabled people in the same or similar jobs. This progress is not enough, however, as the majority of persons with disabilities do not have work or the economic independence that can result from employment.

The President's Committee has established a unique position which qualifies it to provide the energy and the leadership to spearhead the Nation's drive to increase employment opportunities for people with disabilities. The majority of jobs (4 out of 5) in this country are in the private sector. The power of the

President's Committee's leadership is derived from the Committee's nationwide network of 600 private sector volunteers. Because of the prestige associated with the name of the President, and, just as importantly, because the Committee does not have monitoring or regulatory authority, it has been able to attract as volunteer members, nationally recognized experts from all disciplines involved with disability. The Committee's membership is composed of individuals with disabilities and organizations operated by and for persons with disabilities (16%); employers (15%); educators, physicians, and other service providers (20%); labor and union personnel (8%); Governors' Committees personnel (10%); and other individuals and organizations involved in disability issues (31%).

The President's Committee and its volunteer members believe that a real increase in employment opportunities for people with disabilities will become a reality only when employers, and those who prepare people for employment, recognize and accept the abililties and employment potential of individuals with disabilities. Certainly, legislation guaranteeing equal employment opportunities is essential, but the key ingredient to a significant increase in acceptance of people with disabilities is an informed and enlightened public.

President's Committee members carry the message of the employment potential of people with disabilities to all parts of the country and to all segments of society. During the last year alone, Committee members contributed over six and one-half million dollars in in-kind services to increase awareness of the abilities of people with disabilities and to promote equal employment opportunity. They are achieved some amazing results.

There is much more work to be done, however. The President's Committee and its members are ready and are anxious to do it. To ensure that the employent status of persons with disabilities continues to be addressed by an established and effective government agency and its private sector volunteer members, the Congress should continue to fund the President's Committee on Employment of the Handicapped.

Question: Are you aware that there is a provision in the appropriations bill against lobbying at taxpayer expense?

Answer: This provision has recently been brought to our attention. While it contains some language that is difficult for lay-persons to interpret, we believe that we now understand the spirit of the provision and certainly intend to follow it.

Question: Although I received a letter from Mr. Russell in February, indicating that his actions were perhaps inappropriate, has the President's Committee ever advised its membership to disregard its call for what appeared to be a lobbying campaign?

Answer: No, it had not occurred to us to notify our members to disregard the memorandum. However, if you feel that it is appropriate, we are prepared to do so.

STEPS TAKEN TO TRANSFER FUNCTION TO THE NATIONAL COUNCIL

Question: What specific steps are you taking to assist the National Council in assuming your function?

Answer: The President's Committee leadership has had some preliminary discussions with some members of the National Council, which is what was referenced in my December 1985 letter to you. However, in that same letter I also confirmed my belief that the interest of disabled Americans will best be served by the continuation of a separate, independent, viable President's Committee. I continue to remain dedicated to this objective.

Since no legislative action in this direction has taken place to date, I have not initiated plans to formally effect a transition. However, should such a change become law, I assure you that I will immediately take steps to carry out the mandate of the Congress.

PRESIDENT'S COMMITTEE BUDGET REQUEST

Question: The President's Committee seeks an appropriation of $2,408,000 in fiscal year 1987, an increase of $364,000. What rationale do you have for an 18 percent increase in your 1987 appropriations?

Answer: The Committee's budget for FY 1987 reflects increases and a decrease in basic operational costs. The breakdown of those are as follows:

Personnel costs including net cost of with-in grade promotions effective in 1986, and increased cost of personnel benefits.....	+$24,000
Nonpersonnel costs including increased cost of travel, transportation, space rental, communications, and other utilities, printing, miscellaneous contracts, administrative support services, supplies and equipment.....	+$28,000
Additional funds for rental of office space.....	+$60,000
Adjustment in the average cost per FTE to bring up to appropriate level.....	+$178,000
Restoration of 3 FTE which was sequestered in FY 1986 under P.L. 99-177 (Gramm-Rudman).....	+$92,000
	$382,000
Reduction in administrative support services, i.e., Working Capital Fund (WCF).....	- 18,000
Total.....	+$364,000

VETERANS

Question: Last year, Congress had to enact an $ 8 million supplemental for the Disabled Veterans Outreach and Local Veterans Employment programs, when it turned out your original budget request was insufficient to fully implement requirements of law. Will this cut in Local Veterans Employment Representatives require staff layoff?

Answer: It is not known if the reduction in funding will cause staff layoffs in certain States or not. Since Local Veterans Employment Representatives (LVERs) are State employees, the agencies may decide to maintain the positions and/or the individuals with other Employment Service funds, e.g., the basic labor exchange grants authorized by the Wagner-Peyser Act. Furthermore, States may be able to reduce the impact of the FY 1987 budget levels through planned management actions in FY 1986 to preclude the necessity of layoffs in FY 1987.

Question: Since Veterans still are entitled to receive priority in services, doesn't this cut really mean that other local employment service staff will be diverted from their regular duties in order to help veterans?

Answer: It is probably true that in States where the LVERs have been used primarily for direct services to veterans rather than for functional supervision of local office services to veterans, there will be some diversion of other local office staff time from services to non-veterans. In most cases, the LVER reduction should result in some diversion of State agency management's time toward supervision of services to veterans, rather than a decrease in staff's performance of duties for non-veterans.

INSPECTOR GENERAL CUTS

Question: Your Fiscal 1987 Budget shows a decline in appropriations and staff below not only the original Fiscal 1986 level, but also Fiscal 1985. What impact will this have on your work?

Answer: In the audit area, as we have expanded our coverage throughout the Department and initiated a comprehensive OIG approach in planning future audit work, we have identified additional areas of the Department's programs and activities that are in critical need of additional audit attention. The limited audit resources available in FY 1987 will cause us to defer some efforts to future years.

The Office of Labor Racketeering (OLR) will be closing its Los Angeles and New Orleans offices. OLR is consolidating its limited resources in certain geographical areas where it has significant personnel to conduct full investigations and to concentrate on the racketeering potential in such areas as employee benefit plans, construction, waterfront, garment, and transportation.

Question: Specifically, in what areas will audits and investigations be curtailed?

Answer: The reduction will be mainly in the audit oversight of the Employment Standards Administration (ESA) and the Employment and Training Administration (ETA).

The Office of Labor Racketeering (OLR) will limit its investigations in several industries where research indicates an organized crime presence. These industries include toxic waste disposal, trade show and exposition, and movie. OLR currently has approximately 80 cases that are inactive even though research indicates the possibility of labor-management violations.

Investigations will not be curtailed but increased. The staff committed to the Unemployment Insurance (UI) program, though decreased by 1 FTE position, from 33 to 32 FTEs, will be expected to handle an increased volume of UI cases. This will be accomplished as a result of our increased efficiency achieved through the "clustering" procedures we have developed that involves the gathering of individual cases into groups for prosecution, and additional productivity improvement resulting from the expertise developed by our staff in the UI program.

SOLICITOR'S OFFICE

Question: The Solicitor's Office budget provides for increases of 4.4 million and 60 additional positions, to handle increased Longshore workload, Black Lung litigation, and reduce backlogs in cases involving pension funds. Are there areas where legal workloads are declining, to partially offset these increases?

Answer: The SOL budget requests an increase of $1,909,000 and ten positions to allow SOL to fund litigation support services in connection with the Teamsters' Pension Fund case, Brock v. Fitzsimmons, and the other major ERISA cases. This increase will also help to prevent any increase in backlogs in major program areas such as Occupational Safety and Health, Employment and Training and Wage Hour.

SOL has also requested $396,000 and ten positions in support of the Black Lung program. This is the second phase of hiring recommended by the Black Lung Task Force. These positions will allow SOL to handle the additional output generated by the Benefits Review Board and the ensuing higher caseload at the Court of Appeals. In conjunction with the FY 1986 increases, this addition to the staff will ensure that SOL will appear in most cases involving the liability of the Trust Fund and in those Responsible Operator cases which contain significant issues having precedential impact.

An increase of $956,000 and 30 positions is requested for the Longshore legal program. These additional positions will permit SOL to participate in cases involving Section 8(f) of the Longshore and Harbor Workers Compensation Act. Present levels

permit SOL to attend only a small number of the hearings held in these cases.

Disbursements from the Special fund have been steadily increasing and there is growing concern that the financial burden cannot continue to increase without either the employer or carrier defaulting or applying pressure to supplement the fund with Federal revenues. Therefore, it is important that SOL increase its participation in these hearings and thereby try to ensure that claims paid from the Special Fund are legitimate. The SOL budget also includes a reduction of 15 staff years and $417,000 in support of the President's program to increase productivity throughout the Federal government. Our estimated workloads for FY 1987 are generally stable. We are expecting a decline from the FY 1985 level in the Mine Safety and Health (MSH) legal program due to a decrease in the number of collection cases handled by the Office of the Solicitor (SOL). However, we will be involved in other MSH cases which are more complex and require dedicated resources.

Question: If you get the resources you seek, how far will you be able to reduce the backlog of Black Lung and Longshore cases?

Answer: SOL represents the Department in Black Lung and Longshore cases that are before the Office of Administrative Law Judges, the Benefits Review Board, and the Court of Appeals. The backlogs are with these appellate bodies and are not within SOL. The requested increases for SOL will provide staff to keep up with the additional cases that are decided as these other two bodies increase their case dispositions.

Question: What would be the impact on backlogs if you did not get the extra resources in your budget request?

Answer: If SOL does not get the additional resources for Black Lung and Longshore, it will not impact backlogs since the backlogs are with the appellate bodies. The result of not getting the Black Lung increase would be that SOL could not represent the Black Lung Trust Fund in the increased number of cases at the BRB and Court of Appeals levels. The potential result would be the payment of claims from the Black Lung Disability Trust Fund that were not legitimate claims.

In the Longshore area, the result would be similar. Specifically, SOL would not be able to participate adequately in Section 8(f) cases and prevent the payment of claims from the Special Fund that were not legimitate. If the ten other positions requested are not provided, the backlogs in other program areas could increase. The extent of any increase also depends on the number of incoming cases received from the client agencies.

WOMEN'S BUREAU/DISPLACED HOMEMAKERS

Question: In last year's committee report, you were to initiate the granting of funds for the displaced homemakers network in a more timely manner. As a result of recent amendments to the Vocational Education Act which we understand have nearly doubled local displaced homemaker projects, isn't it vital that the work of the network to provide nation-wide technical assistance and coordination at least be maintained at the current level, or perhaps increased?

Answer: The Women's Bureau is extremely supportive of the Displaced Homemakers Network (DHN). In fact, the funding level for the Network has increased every year since it was included in the Women's Bureau budget. The current grant signed in FY 1985, provides for a variety of activities, including a series of workshops in each of our ten regions on Job Training Partnership Act (JTPA)/Vocational Education Act (VEA). We are in negotiations with DHN on the grant provisions for FY 1986 funding. Our plans call for enabling the Network to improve employment opportunities for displaced homemakers, encouraging them to increase the technical capabilities of local service providers, to build the capacity of displaced homemakers to get jobs, and to access Job Training Partnership (JTPA) for these women.

MERGING FUNCTIONS SERVING THE HANDICAPPED

Question: As the President's Committee has freely admitted in a memo last June "70 percent of Governors' Committees have moved beyond employment as their dominant thrust....to take up the entire gamut of disability, including strong advocacy". If the States are not concerned that merging functions would somehow dilute efforts to employ the handicapped, why is this of concern to the President's Committee?

Answer: Recent studies indicate that 28 states support "Governor's Committees on Employment of the Handicapped." The other 21 states including the District of Columbia, have what are commonly referred to as "broad based" committees; or committees which have expanded their focus to include additional areas of concern. In percentage figures, 57% of the state governor's committees now focus specifically on "employment"; the remaining 43% focus on employment and other important issues. (An up dated listing is attached).

During the 70's and even early 80's many of the state committees took on broader activities and developed stronger advocacy roles. However during the last two years we have noted a strong trend back to a predominant focus on employment.

For example, last October the Ohio Committee surveyed 11,000 persons with and without disabilities. Returns revealed that the out of seven areas, including architectural barriers, attitudinal barriers, housing, recreation, and transportation, "employment" was

the number one concern. The Missouri Committee is just completing a survey of disabled citizens. Returns received to date indicate that there, too, "employment" is the number one concern. Finally, in the recently conducted Harris Poll, 95% of the disabled respondents think that "there should be increased efforts to educate, train and rehabilitate disabled persons so that disabled persons can work. Ninety-four percent wanted to "increase efforts to provide equipment and adapt the workplace so that disabled persons can work better and communicate more easily with other workers".

There is still another point to consider as we ponder this proposed merger of functions. Several states have expressed concern that the possible discontinuance of the President's Committee will send a clear signal to their state's governor that the Federal government is downgrading its focus on employment of persons with disabilities. The significance of this signal, they fear, will be the discontinuance of their own operations. In other words, without the strong Federal leadership symbolized by an independent President's Committee their governors may no longer support the need for state committees on employment of persons with disabilities. Since 57% of the states still retain the single focus feature of a "committee on employment of the handicapped," this could effectively terminate or at least diminish many state and local efforts.

Thus, employment continues to be the major concern to people with disabilities and to state committees. And, there is another constituency group which must be considered. We must also remember the opinions and needs of employers. Their concerns about this proposed merger of functions are clear. They tell us that companies are willing to closely associate themselves with an effort that is directed specifically to employment issues. The President's Committee on Employment of the Handicapped represents this type of an operation. If the Committees' functions were to be transferred to the "broad based" National Council on the Handicapped, the character of the current operation would change and employers would be asked to support a program that was involved in issues and concerns beyond their primary concern of employment. Employers and others close to employers warn that such an eventuality could prove unfortunate.

The President's Committee on Employment of the Handicapped represents a unique opportunity to involve people with disabilities, the private sector, and professional groups in joint programs designed to advance employment opportunities for persons with disabilities. Moreover, it represents a model of commitment that influences state and local governments alike. Its work cannot be duplicated by any other existing organization because the mission needs the single purpose format that the President's Committee provides.

STATE GOVERNORS' COMMITTEES ON EMPLOYMENT OF THE HANDICAPPED

57%

1. Alabama
2. Alaska
3. Arizona
4. California
5. Connecticut
6. Delaware
7. Georgia
8. Idaho
9. Illinois
10. Iowa
11. Kansas
12. Kentucky
13. Maine
14. Maryland
15. Massachusetts
16. Missouri
17. Montana
18. Nebraska
19. Nevada
20. North Dakota
21. Oklahoma
22. Pennsylvania
23. Puerto Rico
24. South Carolina
25. Tennessee
26. Utah
27. Washington
28. Wyoming

STATE COMMITTEES - BROAD BASED

43%

1. Arkansas
2. Colorado
3. District of Columbia
4. Hawaii
5. Indiana
6. Michigan
7. Minnesota
8. Mississippi
9. New Hampshire
10. New Jersey
11. New Mexico
12. New York
13. North Carolina
14. Ohio
15. Oregon
16. Rhode Island
17. Texas
18. Virginia
19. Virgin Islands
20. West Virginia
21. Wisconsin

WOMEN'S BUREAU PUBLICATIONS

Question: In its role as a disseminator of information, what materials of interest to working women has the Women's Bureau published and distributed during fiscal year 1985 and fiscal year 1986 to date?

Answer: The following materials were published and distributed in FY 1985:

Publications

- "The United Nation Decade for Women, 1976-1985: Employment in the United States."
- "Women's Bureau: Meeting the Challenges of 80's
- "Women in Nontraditional Careers (WINC): A Training Program Manual"
- "Women and Office Automation: Issues for the Decade Ahead"
- "Publications of the Women's Bureau"
- "A Working Woman's Guide to Her Job Rights" (reprint)

Model Program Guide:
-- "Job Training in Food Services for Immigrant, Entrant, and Refugee Women"

Fact Sheets:
-- "Trends in the Employment Status of Women During the United Nations Decade for Women, 1976-1985"
-- "Women Who Maintain Families"
-- "Working Age Disabled Women"
-- "Working Mothers and Their Children"
-- "Women Business Owners"
-- "Black Women in the Labor Force"
-- "Earnings Difference Between Women and Men Workers"
-- "The Retirement Equity Act of 1984"
-- "Advances for Women Through Federal Legislation During the United Nations Decade for Women, 1976-1985"
-- "Federal Job Training and Vocational Education Legislation That Benefits Women"
-- "Business Development Opportunities in the U.S. for Women in Other Countries"

The following materials will be distributed during FY 1986:

Publications:
o "Milestones: Women's Bureau Celebrates 65 Years of Women's Labor History"

Model Program Guides:
o "The Coal Employment Project -- How Women Can Make Breakthroughs into Nontraditional Industries"
o "National Women's Employment and Training Project"
o "From Homemaking to Entrepreneurship: A Readiness Training Program"
o "Employment Programs for Rural Women"

Fact Sheets:
o "Women of Hispanic Origin in the United States Labor Force"
o "The Retirement Equity Act of 1984, Its Impact on Women"
Status: Gallys have been reviewed.

WORKING MOTHERS

Question: How have the activities of the Women's Bureau changed to reflect the substantial growth in the number of married women who are both working and raising children?

Answer: The Women's Bureau has made several changes in program operations to reflect the substantive growth in the number of married women who are both working and raising children. They are as follows: (1) the national and regional offices have expanded their promotional efforts towards enhancing employer-awareness and involvement in their communities; (2) the

Bureau is responding to increasing requests for technical assistance on establishing child care programs for employees; (3) the agency participates in conferences and workshops on work and family issues; (4) the Bureau shares information on its extensive network with national organizations concerned with increasing the supply of qualified child care providers; and (5) we have produced a series of fact sheets which include "Women Who Maintain Families", "Working Mothers and Their Children," and "Federal Legislation on Day Care" which are used extensively to document need for services for dual earner families as well as single heads of households.

In addition, the Bureau has funded the child care component in four of the six programs funded by the Rockefeller Foundation to provide skills training to disadvantaged women who maintain families. FY '86 marks the fifth and final year of support to these child care components. The programs, through the Bureau grant, provide child supportive services, counseling, and works with employers to encourage participation in child care as an employee benefit.

BUREAU OF INTERNATIONAL LABOR AFFAIRS

Question: One of your 1986 budget requests was for funds to begin "an analysis of the magnitude, characteristics, and labor market effects of recent immigrant flows into the United States." What is the status of this analysis?

Answer: In Fiscal 1986, ILAB undertook and completed an analysis of U.S. labor force participation rates of recent immigrants, by sex. This paper, presented at the Southern Demographic meetings in Austin, Texas, in October, was a continuation of the Group's 1985 extensive analysis, published in the International Migration Review, demonstrating the predominance of females in legal immigration flows to the United States, 1930-1979.

Also on the topic of the labor-market effects of immigration, ILAB analyzed options for DOL's setting of H-2 adverse effect wage rates, i.e., farmworker wages set under the H-2 program to compensate for the negative effect of the presence of foreign workers in the agricultural labor force. Similarly, we analyzed DOL's options on setting H-2 agricultural piece rate wages.

Each year, our analysts prepare technical analyses for the USG background and position papers for the U.S. delegation to the biannual sessions of the United Nations General Assembly Working Group which is drafting an international migrant worker rights convention, and monitor and analyze international labor immigration trends and policy developments as they relate to U.S. policy issues. Relatedly, we are also responsible for USG participation in and technical contributions to the OECD Manpower and Social Affairs Committee's Working Palrty on Migration. Preparations are now under

way for USG participation in the May 1986 OECD Conference of Experts on "The Future of Migration in OECD Countries."

Many of the statistical tables and analyses prepared are based on a unique data bank that ILAB has established, using data collected by the Bureau of the Census and the Immigration and Naturalization Service. Our staffers are currently updating and using that data bank to prepare a detailed analysis of the occupational distribution of recent immigrants by classes of admission, sex, age, country of origin, and other policy-relevant variables.

SECRETARY'S MANAGEMENT SYSTEM

Question: Since GAO issued its report, the Secretary has taken several steps to strengthen the role of the Secretary's Office in managing the Department, including designating the Uuder Secretary as the key official for management, and establishing a process--the Secretary's Management System--to define key Secretarial and agency goals and monitor and assess their implementation.

Specifically, what management responsibilities have been given to the Under Secretary?

Answer: As indicated, Under Secretary Dennis Whitfield has been designated as the responsible official for performing day-to-day management tasks on the Secretary's behalf. He has been given specific responsibilities for overseeing essential management systems, ensuring a quality work force and accountability, and monitoring and using performance data. In this context he will chair a number of key management committees, for example, those dealing with budget formulation and with information resources management. Most importantly, he is responsible for providing overall direction to the management and operation of the Secretary's Management System.

Question: How will this new management system work, and how will responsible officials be held accountable for implementing their goals?

Answer: The Secretary's Management System is designed to complement current systems now in use within the Department. It is intended to be integrated with agency management systems, including those required for the development and execution of operating budgets and the development of organizational and personnel performance standards and measures. It has three basic facets:

- o First, it is a planning process. Annually the Secretary will establish broad, long-term Secretarial goals and see that these are communicated to all management levels within the Department. For this year, the Secretary has set three such goals:

  -- Improve the economic opportunity of American workers through emphasis on job opportunities; health and safety; retirement security.

-- Increase ability of Americans to compete successfully in domestic and world markets through labor-management cooperation; education, training, and retraining; cost-effective regulations.

-- Improve productivity, effectiveness, and creativity of DOL operations through employee motivation and involvement; intra-departmental coordination; private sector involvement.

Each Executive Staff member is responsible for developing agency supporting goals and related milestones in furtherance of these Secretarial goals, carrying out programs, and operations. The Under Secretary reviews and approves these sub-goals and milestones before they are finalized.

o The Secretary's Management System also has a reporting mechanism. Each member of the Executive Staff will prepare quarterly progress reports covering the milestones in the agency sub-goals. These reports will flow into Under Secretary Whitfield's office where they will be analyzed. Highlights and matters requiring the Secretary's personal attention will then be presented to him.

o Finally, the Secretary and Mr. Whitfield will provide feedback each quarter to the Executive Staff assessing progress and, as appropriate, identifying actions which should be undertaken.

GAO REPORT

Question: How will the Department ensure that corrective actions are taken and will adequately address the problems cited in GAO's report?

Answer: The vast majority of the actions being taken in response to the recommendations in the GAO Management report have been incorporated into the sub-goals and milestones required by the Secretary's Management System. Thus, they will be actively tracked on a quarterly basis, with feedback provided to the Executive Staff as indicated above.

Recognizing, however, that not all of the items in the GAO report lend themselves to Secretarial scrutiny, each agency head has been asked to prepare implementation milestones separately for each GAO recommendation. These milestones have been transmitted to the GAO staff who are stationed on-site in the Department. The agency heads have also been asked to maintain documentation of actions taken in response to GAO recommendations. Finally, to pull all this together, GAO has been asked to have its staff conduct a follow-up review at year-end and to provide the Secretary with a "report card" on our progress.

EFFECT OF WORLD TRADE ON U.S. JOBS

Question: There are fewer workers employed in manfacturing today in the United States than there were in July 1981 when the 1981-1982 recession began. Many attribute the problems of this industry to the dollar being overvalued. What type of analysis has the Bureau of International Labor Affairs undertaken to determine the effects of international trade on U.S. employment?

Answer: In the last year, the Bureau of International Labor Affairs (ILAB) has conducted studies of the employment effects of special trade preference programs and has analyzed the possible employment consequences of proposed trade legislation and of existing trade programs. ILAB also began the development of a model to be used to estimate the employment effects of alternative proposals likely to be tabled during the new round of multilateral trade negotiations. Specific activities have included:

- preparation of a report which analyzed the U.S. trade and employment impact of the Caribbean Basin Economic Recovery Act (CBERA) during the first year of operation of the program (i.e., calendar year 1984). This report, pursuant to Section 216 of the CBERA, was transmitted to the Congress on August 30, 1985;

- internal analyses for use in negotiating the Free Trade Area Agreement with Israel. This included evaluation of various proposals for product staging (i.e., mutual phasing down of tariffs on sensitive products) and analysis of the possible implications for U.S. employment of such a free trade area agreement;

- an ongoing review of the Generalized System of Preferences (GSP) program and internal analyses of product and country graduation proposals;

- preparation of a report on the potential U.S. employment effects of the termination of the Manufacturing Clause, which is part of athe copyright Act of 1976. This report, requested by Senator Mathias, was transmitted to the Congress on February 27, 1986;

- an assessment of the impact of defense-related export sales having offset agreements on U.S. employment. This assessment was included in a report which was prepared pursuant to Section 309 of the Defense Production Act Amendments of 1984 and transmitted to Congress on February 11, 1986 by OMB; an ongoing analysis of the possible employment effects of permitting the export of North Slope Alaskan oil (pursuant to Section 126 of the Export Administration Amendments Act of 1985);

- o an evaluation of employment effects of various proposals for import relief for the footwear industry and ongoing review of legislative proposals related to textiles and apparel, e.g., the Textile and Apparel Trade and Enforcement Act of 1985 (S. 680) and renewal of the Multifiber Arrangement (MFA).

- o preparation of a report which analyzed the effects on U.S. employment of foreign industrial targeting practices. This report, pursuant to Section 625 of the Trade and Tariff Act of 1984, was transmitted to the Congress on July 15, 1985.

In anticipation of a new round of multilateral trade negotiations, ILAB began an update of its trade and employment model which was used to evaluate the Tokyo Round of trade negotiations. This model will permit ILAB to evaluate the potential employment effects of multilateral tariff reductions and other changes which might result from the negoitations. It will also be useful for analyzing a variety of other policy issues such as the effects on U.S. trade, production, and employment of an import surcharge or a change in exchange rates.

LABOR ADVISORY COMMITTEE

Question: In your 1986 budget justification statement, you stated that you "will maintain an effective labor advisory committee program to provide a focal point for communication between the Administration and the labor sector on trade and investment policy issues..." Could you describe the Labor Advisory Committee program and its success?

Answer: The Labor Advisory Committee was established pursuant to section 135 of the Trade Act of 1974, as amended, which stipulates that the President shall seek information and advice from representative elements of the private sector "with respect to the operation of any trade agreement once entered into and with respect to other matters arising in connection with the administration of the trade policy of the United States."

Over the years, the U.S. government has made extensive use of the private sector trade advisory committee system, of which the Labor Advisory Committee is a part. Much of the U.S. trade policy encompassed in the Trade Agreements Act of 1979, subsequent trade policy actions, as well as the substance of the Trade and Tariff Act of 1984, have been influenced by advice and information received from this Committee.

The Labor Advisory Committee, and/or its Steering Subcommittee, which meets at least monthly, has been the most active of any of the trade advisory committees. As a result, it has been briefed on trade issues more often than other committees and it has had more opportunities to make its views known on trade issues.

The work of this Labor Advisory Committee has intensified over the last year, as we have sought to deal with such issues as the

U.S.-Canada Free Trade Area, the trade legislative program, the Market Oriented Sector Selective (MOSS) Talks with Japan, the U.S.-Israel Free Trade Agreement, telecommunications trade issues, and the President's Trade Policy Action Plan.

We have also actively sought the views of the labor advisors on a possible new round of multilateral trade negotiations. Both Secretary Brock and Ambassador Yeutter, among others, have addressed the group on this issue. Under Secretary Whitfield recently participated in a plenary meeting of private sector trade advisors, including the labor advisors, which was held to provide a briefing and seek detailed private sector advice on the proposed new round and on the free trade arrangement with Canada.

The labor advisors take very seriously their participation in the labor advisory program. They are in almost daily contact with the ILAB and USTR staff on trade issues. They play a large role in the development of the agendas for their monthly meetings. They also often request to meet with various DOL and USTR officials to discuss trade issues of importance to them.

As part of our Labor Advisory Program we also do frequent mailings to transmit information and reports on trade issues. Included in this effort is a newsletter called Trade and Investment Issues mailed to advisors every other month or so.

Question: Was the Labor Advisory Committee active during the debate on restricting textile imports.

Answer: The Labor Advisory Committee expressed its support for textile quota legislation on several occasions at its monthly meetings. It also made its position quite clear both to DOL and USTR.

Since organized labor saw the textile bill as basically a legislative issue, it dealt with it through its legislative staff rather than its economic/trade research staff. The AFL-CIO accordingly focused its efforts on this issue on trying to gather support for the bill in Congress.

WORLDWIDE HUMAN RIGHTS

Question: In the past Bureau of International Labor Affairs has focused on labor-related human rights around the world. Just what does you agency do in this area and what successes can you relate?

Answer: ILAB carries out three kinds of activities concerning labor-related human rights. First, in the International Labor Organization, ILAB follows the most important labor rights cases through the appropriate instututions of the ILO. Particularly through our active participation in the key ILO Conference committee which examines the application of ILO Conventions, we have been successful in getting the ILO to focus more attention on human

rights violations in Poland and other East Bloc countries. ILAB has also worked to improve ILO's technical assistance efforts to help other nations more effectively implement ILO Conventions.

Second, in international trade, ILAB has been examining the status of worker rights in countries participating in the Caribbean Basin Initiative and the Generalized System of Preferences. During the CBI review process, ILAB (in conjunction with the State Department and the Trade Representative) succeeded in getting several countries, including Haiti, El Salvador, Honduras and the Dominican Republic, to modify their labor laws and practices. The greatest success was in Haiti where the government agreed to permit the first labor federation in almost 30 years.

The worker rights provisions of the GSP are being implemented in conjunction with the General Review of the program, which will be completed this year. ILAB has been active in developing the interagency response to charges brought against certain countries by organized labor and human rights groups. ILAB will also work with OPIC in the implementation of the worker rights provisions contained in the recent OPIC renewal legislation.

Third, in the area of foreign relations, ILAB monitors labor union activities throughout the world. We also provide information to foreign labor ministry officials about U.S. labor programs (e.g. mediation) related to the provision of worker rights.

GAO MANAGEMENT STUDY

Question: GAO's study showed that program managers largely perceived the Inspector General's audits to be of only limited use to them in identifying and resolving problems. The Labor Department indicated steps were being taken to involve program managers more directly in the audit process. Can you see any improvements at this time?

Answer: Over the past 5 years, OIG's audit program has moved from mainly financial and compliance audits, some 75 percent of the audit effort, to expanded scope audits, some 80 percent of our current efforts, which focus on the national perspectives of program operations and effectiveness. The results of these expanded scope audits are reported to top management, the assistant secretary level, whereas in prior times the fiscal and compliance audits were reported to the headquarters and field program managers. It was among this latter group that GAO did its limited survey.

For FY 1986 we have made a wide distribution of our annual audit plan and we invited managers to communicate with us about what is in it and what they would like to see in it. We urge the executives to whom our reports are issued to provide copies directly to their managers and we make the final audit reports readily available. We think this has improved the problem of perception reported by GAO.

IMPACT OF GRAMM-RUDMAN-HOLLINGS ON MANAGEMENT SYSTEM

Question: Implementation of the Gramm-Rudman-Hollings legislation will likely impact on the Department's attempts to bring about the changes recommended by GAO.

What effects will the legislation have on the Secretary's newly established management system?

Answer: The Gramm-Rudman-Hollings legislation may impact on the Department's implementation plans to a marginal degree by stretching out some of the completion dates that were originally estimated last fall. However, this legislation is not expected to have any effect on the Secretary's Management System itself. In fact, the new system should enable the Department to better cope with the programmatic and resource impact that the legislation will have.

ADMINISTRATIVE NEEDS

Question: We understand the current earmark for representation expenses is inadequate. Please explain why there is a need for an increased representation allowance, and provide the Committee with a realistic estimate of what amount is need for both fiscal 1987 and the balance of fiscal 1986?

Answer: We have requested no increase in the current representation allowance of $7,500. Given the present deficit situation, the G-R-H reductions this year, and the need to meet deficit reduction targets next year, we could not in good conscience propose to increase the amount of taxpayer dollars spent on entertainment, even within a given budget total.

Question: Please also provide the Committee with an explanation of your proposal to upgrade the Under Secretary position to Deputy Secretary, and designate several other positions as Deputy Assistant Secretaries. Indicate the added cost of this proposal, and whether you expect to appoint new people to any of the positions being re-designated?

Answer: The revisions proposed would assure that important Labor Department executive positions are placed on the same levels as comparable positions throughout Government. The proposed change would have a substantial positive impact on the management and efficiency of the programs administered by the Department of Labor at an annual cost of only about $1,500.

The establishment of the Deputy Secretary position is intended to reflect the enormous growth in the scope and complexity of the Department's activities over the past several decades. The Department of Labor has increasingly been entrusted with the responsibility to carry out programs of major significance to the welfare of the Nation. In carrying out these programs as well as the many other important programs for which the Department is responsible, it is essential that the highest priority be given to the principles of sound management and cost-effectiveness. Establishment of a new Deputy Secretary

position would underline this Administration's commitment to these important goals. The new position would be compensated at Executive Level II. Most other cabinet agencies of this size already have this position.

The creation of the three new Assistant Secretary positions also reflects the increased scope of the Department's programs and activities. Currently, certain major organizational units within the Department of Labor are headed by officials appointed at the SES level. The proposed legislation would assure that such major organizational components as the Office of Congressional Affairs, the Office of Intergovernmental Relations and the Employment Standards Administration are each headed by officials who are appointed by the President, with Senate confirmation. These changes would not have a budgetary impact.

We have no current plans to replace the incumbents of the positions being re-designated.

BLACK LUNG STAFFING INCREASES

Question: Given personnel ceiling contraints, how are you accommodating the additional 141 staff positions contemplated in the plan to reduce the claims backlog? Are you experiencing any difficulty in getting on board the 82 new Administrative Law Judges, Attorneys, and support staff proposed for FY 1986?

Answer: As a result of recent experience at the Benefits Review Board, the appeal rate of Office of Administrative Law Judges decisions to BRB has been revised from 40% to 37%. Because of this, the Department has revised its request for additional resources to handle the backlog from 141 staff to 104 staff. A total of 82 additional staff were authorized in FY 1986 and 22 additional staff are requested in FY 1987.

Increased personnel ceiling has been provided to OALJ and SOL to accomodate additional staff authorized in the FY 1986 appropriation, adjusted to reflect the effects of Gramm-Rudman-Hollings legislation. If the FY 1987 staffing increases are approved, additional personnel ceiling will be provided to BRB and SOL.

The Office of the Administrative Law Judges (OALJ) has hired or committed to hire all positions authorized under the FY 1986 budget, adjusted to reflect the effect of Gramm-Rudman-Hollings legislation. The Office of the Solicitor (SOL) has hired or committed to hire eight positions in the National Office. SOL Regional Offices have just received authority to hire (from outside DOL) the remaining positions, adjusted to reflect the effect of Gramm-Rudman-Hollings legislation.

Question: The second stage of the plan to reduce the claims backlog called for staffing increases at the Benefits Review Board and in the Solicitor's office to complement increased capabilities in the Office of Administrative Law

Judges. Are these steps still planned for FY 1987? When will the legislation necessary to accomplish the plan's proposed changes at the Benefit Review Board be submitted to Congress?

Answer: The Benefits Review Board has requested an additional 12 positions for FY 1987. These positions are for clerical and technical legal support staff necessary to keep up with the processing of the additional new appeals generated by increased OALJ dispositions. The Department is not proposing any staffing increases that would require a change to existing legislation.

The Office of the Solicitor (SOL) has requested an additional 10 positions for FY 1987. These positions will allow SOL to handle the additional output generated by the Benefits Review Board and the ensuing higher caseload at the Court of Appeals.

BLACK LUNG CLAIMS BACKLOG

Question: Under your present timetable for implementing the Secretary's plan to reduce the claims backlog, where do you envision the backlog and average waiting time to be at the end of this fiscal year? At the end of FY 1987? By FY 1989?

Answer: Delay in passage of the FY 1986 appropriation delayed implementation of the Office of Administrative Law Judges full FY 1986 plan for over 3 months. Delays in hiring judges and delays at GSA in providing permanent office space in Camden, New Jersey, also have contributed to a slight eroding of our original schedule for backlog reductions. Additionally, the first five months of filings, when analyzed, display an intake level higher than the 5,000 cases projected by OWCP for FY 1986.

By the end of FY 1986, the Benefits Review Board anticipates that there will be 5,831 Black Lung cases pending before the Board. This represents approximately 1.74 years worth of work.

The following chart shows the end of year inventory and estimated processing time for the Office of Administrative Law Judges and the Benefits Review Board through FY 1989. Office of Administrative Law Judges estimates are based on an annual case intake of 5,000 cases.

OFFICE OF ADMINISTRATIVE LAW JUDGES

	Beginning Inventory	New Cases Received	Dispositions	Cases Pending End-of-Year	Processing Time (Years)
FY 1986	21,795	5,000	8,050	18,745	2.21
FY 1987	18,745	5,000	8,500	15,245	1.79
FY 1988	15,245	5,000	8,500	11,745	1.38
FY 1989	11,745	5,000	8,500	8,245	1.53 1/

1/ Assumes elimination of temporary increase of 60 staff.

BENEFITS REVIEW BOARD

	Beginning Inventory	New Appeals Received	Dispositions	Appeals Pending End-of-Year	Processing Time (Years)
FY 1986	5,736	2,975	2,880	5,831	1.74
FY 1987	5,831	3,150	3,360	5,621	1.67
FY 1988	5,621	3,150	3,360	5,411	1.61
FY 1989	5,411	3,150	3,360	5,201	1.55

Questions Submitted by Senator William Proxmire

RESULTS OF JTPA REVIEW

Question: In your September report to the Congress you stated that your office has comleted field work on a review of the extent to which the Job Training Partnership Act is servicing those whom the Act was intended to serve -- the economically disadvantaged, those with serious barriers to employment, and individuals who have been dislocated from their jobs.

Can you tell us what you found?

Answer: The results of our JTPA eligibility review are that 87.2% of the participants were eligible, 2.3% were ineligible and that for 10.5% of participants, eligibility was undeterminable. Based on our statistical analysis of the sample results, we concluded that the eligibility and verification systems being used are effective. However adequate documentation to support determinations regarding participant eligibilty were not being maintained in all cases. We recommended that the Employment and Training Administration instruct the States to provide guidance regarding the maintenance of adequate documentation to support participant eligibility determinations.

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BACKLOG IN ASBESTOSIS CASES

Question: Although the Department and the Congress has focussed a substantial amount of attention on the backlog in Black Lung cases, I understand that the Office of the Solicitor has other serious backlog problems. For example in the Federal Tort claims area there were 50,000 asbestosis claims and 7,000 third-party FECA subrogation claims awaiting review on September 30, 1985. Can you tell us what plans you have to attack this problem?

Answer: The 50,000 asbestosis claims and 7,000 third-party FECA subrogation claims which are part of the Office of the Solicitor's (SOL) pending caseload have been processed by SOL and should not be considered as a true backlog.

The asbestos claims, filed under the Federal Tort Claims Act, are all processed within four weeks of receipt. (If we receive a batch of several hundred such claims at the same time, an additional two to four weeks may be necessary). Virtually all of the 50,000 claims referred to have been appropriately processed and are now either in litigation, which is handled by the Justice Department, or awaiting further action by the claimants. The Division of Employee Benefits is processing all such claims in a timely and proper manner, and, contrary to your understanding, has almost no claims "awaiting review."

The same is true with respect to the 7,000 subrogation cases under the Federal Employees' Compensation Act (FECA). This statute provides that when a federal employee suffers a work related injury for which he is entitled to receive FECA benefits, and someone other than the U.S. government is liable in tort for that injury, the federal employee must pursue that tort claim. If he fails to make reasonable efforts to pursue the claim, he forfeits his right to the FECA benefits. If he pursues the claim and recovers damages, he must repay the government according to a statutory formula. The Claims Unit in the Division of Employee Benefits is responsible for monitoring these claims, and it has been doing so in a timely manner. Claims Unit personnel have been providing timely information and advice to the FECA beneficiary or his attorney, and when a settlement is effected, they assure that the government receives its statutory refund. Each case is initially reviewed within days of receipt, and Claims Unit personnel monitor their progress until they are completed. The 7,000 cases are not backlog, but are cases in which the federal employees are actively seeking recoveries from one or more third parties. This process usually requires several years because of such factors as the complexity of the litigation and the backlogs in the courts.

ETA - DELINQUENT DEBT

Question: I understand that the Employment and Training Administration has outstanding receivables totalling $290,771,000. Most of this debt -- $289,986,000 of the total -- is delinquent and $231,989,000 is under appeal to an administrative law judge.

What's the problem here and when will this debt be cleared up?

Answer: The Employment and Training Administration (ETA) had outstanding receivables totalling $290,771,000 on September 30, 1985. The reason that $289,986,000 was reported as delinquent on the Department of the Treasury's Schedule 9 is that ETA's Regional Accounting System is currently programmed to report all receivables that age 30 days or more as "delinquent".

The Treasury Manual's definition of "delinquent", on the other hand, does not include receivables that are appealed while in a non-delinquent status. Eighty percent of ETA's receivables are in appeal. Almost all of them were appealed in a timely manner (i.e. within 10 days of the date of the final determination which established the debt). Therefore, if the Treasury Manual's definition is used, almost all of ETA's appealed debts would be classified non-delinquent.

Of the receivables that had not been appealed ($58,782,000), $17,000,000 are in an active collection status and should not be considered delinquent until ETA has completed the procedural collection cycle set forth in the Federal Claims Collection Standards (4 C.F.R. Chapter II).

Of the remaining $41,782,000 which are considered delinquent, approximately $30,000,000 have been referred to the Department of Justice (DOJ) for litigation or termination of debt collection actions and another $5,000,000 is being prepared for such referral. These amounts will continue to show on ETA's accounts receivable until final disposition by the DOJ.

In summary, only about 15% of ETA's receivables should be classified as delinquent. Of the 15% that is delinquent, the majority has already been referred to DOJ. The balance (approximately $6.7 million) remains as a small "backlog" for which the agency has temporarily "suspended" active collection in order to 1) concentrate its resources on priority cases (i.e. large dollar cases, cases involving significant legal or public policy issues, and cases for which the statute of limitations is about to expire), or 2) attempt to investigate further and gather financial information sufficient to determine appropriate next steps.

In accordance with law and regulations, contractors and grantees have a right to appeal disallowances which have been established against them by a Contracting/Grant Officer's final determination. In recent years, almost all disallowances have been appealed to the Office of Administrative Law Judges (OALJ) or to the Board of Contract Appeals (BCA). Once an appeal has been accepted by the OALJ or BCA, debt collection actions are suspended.

Once ETA receives an OALJ or BCA decision affirming a disallowance, it sends out a series of demand letters requesting payment unless a further authorized appeal is taken (e.g. to the Secretary, or to a Federal court). A significant number of cases are appealed to the next higher level.

According to the Federal Claims Collections Standards, if ETA is unable to collect the debt, it must refer the debt to the Department

of Justice for litigation or for termination of debt collection actions within one year. Therefore, within one year after final agency action or affirmation by a Federal court, ETA will take all available debt collection measures available.

STATISTICS ON EMPLOYMENT OF WOMEN

Question: Mr. Komarek, in fiscal years 1983 and 1984 women held only 18.2 percent of the Department's jobs at the GS-12 and above level. There was no improvement over the two years. How has that statistic changed over the past 12 months?

Answer: As a result of changing automated systems for the Department's personnel records, the statistical reports we now get have also changed. We maintain data by grade groups 1 through 4, 5 through 8, 9 through 12 and 13 through 15. As of April 20, 1986, women represented 31.2 % of the Department's Workforce at grades 9 through 12 and 17.9% at grades 13-15. These representation rates reflect a whole percentage point increase at grade 9 through 12 and a six tenths of a percentage point increase at grades 13 through 15 since the beginning of the fiscal year.

MINORITY EMPLOYMENT

Question: Minorities seem to be having a tougher time than women in the Department. In fiscal year 1982, 19 percent of your GS-12 and above slots were held by minorities. That percentage dropped to 18.8 percent in 1983 and 18.6 percent in 1984, despite the fact that minorities comprised 28 percent or so of the total Departmental workforce. What are your latest statistics on minority employment at the GS-12 and above level?

Answer: As of April 20, 1986, 29.3% of all the Department's employees were minorities and minorities held 16.7% of the jobs at the GS-13 and above levels. With recent changes in our automated system our grade groupings have changed, and a look at grades 9 through 12 shows a representation rate of 23.9%.

DOL MANAGEMENT--GAO PRODUCTIVITY COMMENT

Question: In October of last year the General Accounting Office reported to the Congress on a number of managerial shortcomings in the Department of Labor. One of the conclusions reached by the report was that Labor did not have a systematic productivity improvement effort. Can you tell us what specific steps you are taking to correct that defect?

Answer: In January 1986 the Secretary presented a management plan, the Secretary's Management System, which

focuses on areas where the Department can make the most significant contributions. The plan encompasses Secretarial goals, and DOL Agency supporting goals and milestones. One Secretarial goal is directly related to productivity: "Improve productivity, effectiveness and creativity of DOL operations through employee motivation and involvement; intra-departmental coordination; private sector support." Each quarter the Secretary and Under Secretary will review progress, assess any obstacles that may have arisen, and take mid-course corrections that may be needed.

In addition in April 1986 the Secretary issued Order 3-86 formally establishing a Department of Labor productivity improvement program which requires components of the Department to develop annual productivity improvement plans and report periodically on activities and progress.

CHANGES IN PRODUCTIVITY AT DOL

Question: Can you tell us how productivity at the Department has changed over the past year? What sort of gain or loss have you experienced?

Answer: Data are not yet available for FY 1985 but the increase from 1983 to 1986 was 3.6%.

PRODUCTIVITY INCLUDES ALL DOL COMPONENTS

Question: Last year in response to a question submitted for the record, the Department indicated that there had been a sharp fall-off in the percentage of your employees measured for productivity between 1981 and 1982 because two of the Department's major organizations the Employment and Training Administration and Labor-Management Services -- did not participate in the productivity program. I note that you plan to cut 30 positions from these two groups through productivity gains. Does that mean they are currently participating in the productivity program?

Answer: As indicated in the response to an earlier question all components are now required to participate in the Department's productivity improvement program.

PRODUCTIVITY COVERAGE

Question: What percentage of your employees are currently covered by your productivity program and how does this compare to earlier productivity coverage?

Answer: All employees are now covered by the Department's productivity improvement program. But not all have been covered in the past by BLS' Federal Productivity Measurement System. Coverage for that was 55% in 1983 and 64% in 1984. Figures are not yet available for 1985.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

STATEMENT OF DAVID ZEIGLER, DIRECTOR, DIRECTORATE OF ADMINISTRATIVE PROGRAMS

ACCOMPANIED BY:
JOHN B. MILES, DIRECTOR, OFFICE OF FIELD COORDINATION
BARRY WHITE, DIRECTOR OF STANDARDS OPERATIONS

PREPARED STATEMENT

Senator WEICKER. Our next witness this morning is David Zeigler, representing the Occupational Safety and Health Administration.

Mr. Zeigler, why don't you introduce your colleagues, and then proceed as you wish. Your statement, in its entirety, will be included in the record. I might add that I have some questions from Senator Inouye, and Senator Byrd that I would appreciate having responses to for the record.

[The statement follows:]

STATEMENT OF DAVID C. ZEIGLER

Thank you for this opportunity to present the Occupational Safety and Health Administration's fiscal year 1987 appropriation request, which provides for the necessary expenses of the agency to carry out the purposes of the Occupational Safety and Health Act of 1970.

The agency is requesting a total of $225,811,000 and the full-time equivalent of 2,208 positions—a net increase of $18,057,000 and 42 positions from the estimate for fiscal year 1986. This request allows for mandatory or built-in increases totaling $6,534,000. The request also includes the following increases:

—$533,000, to restore amounts withdrawn in 1986 for advisory and assistance services pursuant to Public Law 99-190;
—$9,372,000 and 42 FTE, to support the agency's planned level of activities in 1987. The 1987 increases will permit OSHA to provide a full range of services, and to meet its regulatory and enforcement targets;
—$1,003,000 for the Onsite Consultation Program, to eliminate a backlog of requests;
—$171,000, to provide for an increase for State statistical grants to ensure timely collection of data;
—$125,000 for new directions training grants, to maintain the planned level of program participation;
—$159,000, to provide for increased rental payments to GSA: and
—$160,000, to provide for the increased costs of departmental administrative and support services.

The program increases requested for fiscal year 1987 will enable OSHA to:

—Conduct an estimated 71,400 worksite inspections in 1987; approximately 6,500 more than the number projected for 1986, and slightly more than the number conducted in 1985;
—In addition, State safety and health inspectors in plan States are expected to conduct 115,500 worksite inspections under Federal matching grants, approximately 3,000 more than the number estimated for 1986, and 1,300 more than the number conducted in 1985;

—State personnel providing federally supported consultation in 47 States and jurisdictions will make approximately 30,600 worksite visits, including an increased number of comprehensive training and assistance visits.

OSHA will ensure that its resources, organization, and internal systems continue to support the goal of a balanced program. The agency will promote a mix of activities that includes standards development, inspections, consultation, education, training, statistics, State programs, Federal agency programs, and voluntary employer/employee protection programs:

—Comprehensive safety and health standards will be developed and promulgated which are enforceable and provide quality protection to the American work force.

—Inspections will continue to be targeted in high-hazard industries, with special emphasis on health investigations in the chemical industries and hazardous waste sites;

—State program staffing benchmarks will continue to be reviewed, and hearings will be initiated as appropriate to consider final 18(e) approval of State occupational safety and health programs which meet the fully effective enforcement staffing and related criteria.

—The consultation activity will respond to an expected increase in the number of smaller establishments requesting comprehensive training and assistance visits, to assist them in developing effective safety and health programs for the long-term reduction of hazards.

—OSHA will continue to support current training and educational grants and to award new grants to organizations serving high-risk industries that can benefit from additional safety and health training.

—OSHA will support the safety and health efforts of other Federal agencies through technical assistance, training, and selected evaluations.

—Federal agencies will be monitored in terms of the President's goal to reduce compensation claims by Federal workers by 3 percent each year for 5 years—for a total of 15 percent by 1989.

—Voluntary protection programs will recognize private sector firms with exemplary safety and health programs, providing exemptions from general schedule inspections.

—A full range of technical services will be provided to support OSHA's program operations, including purchases of new laboratory supplies and equipment needed to conduct OSHA's planned special emphasis programs.

The Occupational Safety and Health Act was enacted in December 1970, and became effective April 28, 1971. Fifteen years ago, many people expected an immediate, dramatic improvement in the incidence rates for occupational injuries and illnesses. We found the task an arduous one, and the gains difficult to measure. Nevertheless, the agency, and the people in the agency—a talented team of professionals—are dedicated to the improvement of workplace conditions in America.

The anticipated Gramm-Rudman-Hollings budget cuts will present us with an additional challenge in 1986—to do all we can to minimize their effects on our ability to protect American working men and women. The budget request will enable us to conduct our 1987 activities at the level that had been planned prior to the reductions in 1986.

Thank you, Mr. Chairman. This concludes my statement. I will be pleased to respond to any questions.

BIOGRAPHY OF PATRICK R. TYSON

Patrick R. Tyson was appointed Acting Assistant Secretary of Labor for Occupational Safety and Health by Secretary of Labor William E. Brock upon the departure of Robert A. Rowland on July 1, 1985. As Acting Assistant Secretary, Mr. Tyson has the complete responsibility for managing the Occupational Safety and Health Administration. He previously held the position of Deputy Assistant Secretary. Prior to holding the position of Deputy he was Director of Federal Compliance and State Programs in OSHA.

Mr. Tyson began his carrer with the Labor Department in 1973. From January-November 1982, he headed OSHA's Directorate of Federal Compliance and State Programs where he was responsible for developing compliance programs for OSHA's field enforcement. He also coordinated the activities of the 24 States that operate their own OSHA-approved job safety and health programs. From 1973 to 1981, he worked as a lawyer with the Department's Office of the Solicitor handling issues primarily related to OSHA's State program area. In 1978 he served as assistant counsel for State programs and grants for the Solicitor's Division of Occupational Safety and Health.

In 1970 Mr. Tyson earned his B.S. in business from Auburn University. He received his Juris Doctorate from the University of Toledo's College of Law in 1973. Mr. Tyson is a member of the Virginia State Bar.

Born in Atlanta, GA, on September 26, 1948, Mr. Tyson grew up in Birmingham, AL. Mr. Tyson, his wife Pamela, daughters Leigh and Elizabeth live in Burke, VA.

INTRODUCTION OF ASSOCIATES

Mr. ZEIGLER. Thank you, Mr. Chairman.

I would like to introduce, on my left, Mr. Barry White, Director of our Standards Office, and on my right, John Miles, Director of field operations.

SUMMARY OF REQUESTS

If I may, I would like to summarize our statement for the committee.

Our agency budget request for 1987 is $225,811,000 the full-time equivalent of 2,208 positions. This request is a net increase of $18,057,000 and 42 positions over the 1986 estimates.

The increase is broken down between mandatory increases totaling $6,534,000, and program increases totaling $11,523,000, of which $9,372,000 and 42 positions are being requested to support the planned level of activities in 1987.

In addition to this increase, we are asking for an increase of $1,003,000 for our Onsite Consultation Program and to reduce the backlog of that program; an increase of $171,000 to improve the timeliness of data in our State grant statistical programs; and an increase of $125,000 to support our new directions grant program.

This budget, Mr. Chairman, will support workload levels of 71,400 inspections by our Federal OSHA staff, 6,400 more than our 1986 projection; 115,500 worksite inspections by the States, 3,100 more than in 1986; and 30,600 consultative visits in the 47 States and jurisdictions that conduct those for us.

Thank you, Mr. Chairman. I will be glad to respond to any questions.

AUDITS OF FIELD OFFICE PRACTICES

Senator WEICKER. Thank you very much, Mr. Zeigler.

The press recently reported a case where a thermometer factory had apparently been allowed by OSHA to continue extremely dangerous conditions for almost 4 years, until public exposure and a lawsuit were filed by the State attorney general.

Do you think that this is an isolated case, or is it indicative of a much larger management failure to carry out the law?

Mr. ZEIGLER. We think that this is an isolated case. However, we are looking into that situation thoroughly in our New York region. We have people up there checking our policies, checking our practices, and making sure that the rules that we have set up are being followed.

Senator WEICKER. Do you have procedures that routinely check the work of your field offices?

Mr. ZEIGLER. Yes, sir; we have both a national audit team, that is based in Washington and visits the field, and regional office audit teams to constantly review agency practices and policies in the field.

NEGOTIATED RULEMAKING

Senator WEICKER. I received a letter from a public citizen urging that a bill language restriction be included in the OSHA appropriation to put a stop to negotiated rulemaking, the practice of making labor and management sit down with a mediator to develop proposed workplace regulations.

What has been your experience with negotiated rulemaking, particularly with respect to developing a health standard for benzene which the public citizen group says was a failure?

Mr. ZEIGLER. Our view on the negotiated rulemaking process is that we believe that it is a very good idea. It takes us a long time to promulgate both health and safety standards, going through the administrative rulemaking procedures, and adhering to the various requirements of the Regulatory Flexibility Act.

It is our view that the whole concept of negotiated rulemaking is a good idea—that is, calling the parties together and sitting them down prior to proposing a standard, to try to get some agreement.

We did not have a good experience with benzene in terms of the bottom line. However, we did learn some things, and we believe that the process will help reduce greatly the length of time that it will take on a lot of standards to get the standards out.

Our plan is to try it on some other standards, and if it doesn't work, then we will cancel it and go back to the current way of doing things.

Senator WEICKER. Do you think that this is legal under the law, this type of a procedure?

Mr. ZEIGLER. Yes, sir.

Senator WEICKER. How many of these negotiated rulemakings has the agency engaged in?

Mr. ZEIGLER. We have only had one to date. We are planning to do two more.

Senator WEICKER. You mean the benzene one.

Mr. ZEIGLER. Yes.

Senator WEICKER. It didn't work out.

Mr. ZEIGLER. It didn't work in terms of getting the parties to agree. It worked in terms of giving us some good ideas. It also worked in terms of having the parties talk. We spend a lot of time, through the rulemaking process, getting comments and hearing from people. The Secretary believes, not only for OSHA, but for the entire Department where reg-

ulations are issued, that the whole concept of getting the parties to sit down and talk will be very helpful ultimately in getting rules out.

CHANGES IN INSPECTION TARGETING

Senator WEICKER. In January, the Wall Street Journal reported you are toughening workplace inspection policy by making spot checks of companies that generally are exempt from full-scale inspections. Your budget also talks about increasing the number of special emphasis inspections such as hazardous waste sites and the chemical industry.

How significant a change in OSHA inspection policy are you really making, and can you tell us specifically how many more investigations will be conducted in each special emphasis area?

Mr. ZEIGLER. The Bureau of Labor Statistics annual statistical survey on injuries, illnesses, and fatalities that came out in November showed an increase in workplace injuries and fatalities. We sat down and are still reviewing our policies to see what we can do to try to send the rates down again. We hope that the increase was a 1-year aberration.

One of the things that we decided to do was to make some changes in our targeting system. Three specific changes have been made. We are going to be directing 5 percent of our programmed safety inspections to manufacturing establishments that belong to industry classifications with injury rates below the national average.

The second change that we are making, even though we go in and do a records inspection at the start of our compliance procedure, in every 10th manufacturing firm in high rate industries, we are going to do a full inspection notwithstanding what we find in reviewing the records.

The third thing we are going to do is to spot check on a 5-percent basis, nonmanufacturing firms that we normally would not go into. The whole reason for this is that we believe, from looking at the injury rates and looking at our targeting policies, that it is possible that some firms have gotten the impression that they are not going to get visited because their injury rates are below the national average. We think that by going in on a spot basis, we can make some impact.

AREAS OF INSPECTION CONCENTRATION

Senator WEICKER. Since your overall number of inspections will stay at the 1985 level, what areas of inspection will be cut back?

Mr. ZEIGLER. We are not cutting back. We have special emphasis programs where we are going to concentrate efforts. Some of those are still manufacturing. We will still be looking into the same industries.

This is just changing the nature of the inspection. Instead of going to certain manufacturing codes, we will be emphasizing the manufacturing code of the chemical industry, or the fireworks industry. We are really not backing off from anybody.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record. I thank you very much for your appearance.

Mr. ZEIGLER. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

NEGOTIATED RULEMAKING

QUESTION: I received a letter from Public Citizen urging that a bill language restriction be included in the OSHA appropriation to put a stop to "negotiated rulemaking" --- the practice of getting labor and management to sit down with a mediator to develop proposed workplace regulations.

What is your response to the allegations that negotiated rulemaking is not only a waste of time and resources, but illegal?

ANSWER: Negotiated rulemaking is wholly consistent with the provisions of the Occupational Safety and Health Act of 1970. It is important to note that negotiated rulemaking supplements the established rulemaking process in the pre-proposal stage and does not replace or alter traditional standards-setting procedures. Any consensus achieved through negotiation will be adopted as part of a proposal only if it is consistent with the requirements of section 6 of the Act. The Act does allow the Secretary to appoint ad hoc advisory committees to offer advice in standard-setting under section 6 of the Act. Negotiations and their results thus form part of the public advice which contributes to the standards development process at an early stage. OSHA expects to accelerate its development of standards by bringing interested parties into agreement on fundamental issues before a proposal is published.

QUESTION: To what extent do you plan to continue development of rulemaking through a labor-management bargaining process?

ANSWER: OSHA plans to establish a negotiated rulemaking advisory committee to analyze issues and recommend regulatory language for a proposed standard for workplace exposure to methylenedianiline (MDA). The agency has invited qualified persons to apply for membership on a fifteen-member committee, which will represent industry, labor, public interest, and consumer groups, as well as state, local and federal governments. If the committee fails to reach consensus in six months, OSHA will develop its own proposal.

CHANGES IN ENFORCEMENT POLICY

QUESTION: In January the Wall Street Journal reported you are toughening workplace inspection policy by making spot checks of companies that are generally exempt from full scale inspections. Your budget also talks about increasing the number of special emphasis inspections, such as hazardous waste sites and the chemical industry.

What has been the response from businesses and unions to your shift in enforcement policy?

ANSWER: OSHA has received no formal responses to these policy shifts either from business or labor.

OTA REPORT

QUESTION: Last year, the Office of Technology Assessment issued a report concluding that OSHA's penalties were so low and its inspections so infrequent that companies have limited incentives for complying with Federal Safety and Health regulations. Do you think penalties are too low and inspections too infrequent to effectively deter companies from OSHA compliance?

ANSWER: It is important to note that OSHA's emphasis is on abatement of hazards, rather than on penalties. With the adoption of the informal settlement policy in October 1980 the agency began to settle cases that otherwise might have been contested and would have required lengthy formal settlement before the Occupational Safety and Health Review Commission and the courts. When cases are contested, there is no requirement for employers to correct the hazards in their workplaces until the adjudicatory process has been completed, which could be a matter of years. Informal settlements, on the other hand, always require abatement of hazards by employers within a stipulated time period.

Average penalties assessed have dropped since the adoption of the informal settlement policy. Such settlements often involve a downward adjustment of penalties. Nonetheless, the agency does continue to assess penalties in excess of $10,000. OSHA believes such large fines, even though they may be levied infrequently, act as a deterrent to employers.

With regard to the deterrent value of OSHA inspections, the agency believes that the possibility of an OSHA inspection serves as an incentive to most employers to comply with OSHA regulations. While averages may show that only two percent of all establishments in the country receive an inspection in any given year, the likelihood of an OSHA inspection for firms in the most hazardous industrial categories is very high, in some instances as often as once a year. On a yearly basis, the average OSHA inspections presence in the manufacturing sector is one inspection in every six firms. The agency's high hazard targeting lists are drawn up on a "worst-first" basis so that many high hazard manufacturing establishments can expect an OSHA inspection every year.

To increase the likelihood of certain firms receiving a programmed inspection, OSHA instituted the following changes in its targeting policy in January 1986:

- Five percent of OSHA's programmed safety inspections in the manufacturing sector are now being conducted in industries with lost workday injury rates below the national average for all industries;

- An additional five percent of OSHA's programmed safety inspections are being directed to non-manufacturing firms in selected Standard Industrial Classification codes, some of which have lost workday injury rates higher than the national average.

- Inspections are now conducted in ten percent of firms in high-rate manufacturing categories even though those firms may have individual lost workday injury rates lower than the national average for manufacturing.

The effect of these changes will be to make firms in the above categories possible targets of OSHA programmed inspections and so reinforce the spot-check nature, and deterrent effect, of the agency's [illegible] effort.

OTA REPORT

QUESTION: Last year the Office of Technology Assessment developed a number of "options" for controlling workplace hazards.

What, if anything, are you doing to implement the recommendations identified by OTA for improving workplace safety?

ANSWER: The report of the Office of Technology Assessment is a comprehensive study encompassing almost all aspects of OSHA. The report contains thirty-one options, or recommendations. Many of those recommendations call for Congressional action, while other recommendations are not intended for OSHA. Nonetheless, OSHA has already begun action on many of the recommendations which are within the agency's discretion. For example, OSHA uses its New Directions Program to involve unions and trade associations in the education, consultation and information-dissemination process. As recommended, OSHA continues to encourage employees to increase worker protection through the Voluntary Protection Program.

QUESTION: Specifically, what is being done in the areas of:
1) Better recordkeeping so that the relationship between workplace exposures and occupational illnesses can be more easily studied.
2) More education, consultation, and information dissemination.
3) Improved incentives to businesses for installing worker protection measures?

ANSWER: In regard to better recordkeeping, OSHA has already provided funds to the Bureau of Labor Statistics to do a quality assurance study of the accuracy of injury and illness statistics. This study will also address better recordkeeping in the area of occupational illnesses.

OSHA has a comprehensive program for education, consultation and information. OSHA's Training Institute in Des Plaines, Illinois, had an enrollment of 7,147 individuals in FY 1985, the highest number of attendees in the agency's history. In FY 1985, 78 New Directions grants were funded for a total of $5.6 million. These funds were allocated among labor organizations, employer organizations, educational institutions and other nonprofit groups.

In FY 1985, 28,611 initial consultation visits were conducted under the auspices of OSHA's 7 (c) (1) onsite consultation program and 7,970 additional assistance and follow-up visits were conducted. Emphasis is being placed on encouraging employers to request assistance in establishing overall safety and health programs. Consultants now provide actual training and instruction to employers and

employees. This program granted 275 one year exemptions from general schedule safety and health inspections to employers who received a comprehensive consultative visit, corrected all identified hazards and established an effective safety and health program.

OSHA compliance officers are instructed to acquaint employers with the capabilities of each Area Office to provide technical information about workplace safety and health. State consultants are now allowed to give offsite advice over the telephone or in meetings. In addition to these informal means of disseminating information, OSHA issues a number of publications each year.

Finally, OSHA encourages employers to increase worker protection through its Voluntary Protection Programs (VPP) which were initiated in July 1982. VPP offers employers a variety of incentives to improve recognition for outstanding achievement, a cooperative relationship with OSHA and removal from general schedule inspection lists (three years for the Star program and one year for the Try program). To date, employers who participate are very enthusiastic about the program. There are currently 40 worksites with 36,000 employees participating in one or another of the three types of VPP. These programs encourage employers to demonstrate a commitment to workplace safety and health beyond the requirements of OSHA standards.

VOLUNTARY PROTECTION PROGRAMS

QUESTION: Last fall you announced approval of a first demonstration project designed to explore possible changes in the OSHA Voluntary Protection Programs. What changes are being tested in labor-management voluntary safety programs?

ANSWER: Participation in any Voluntary Protection Program depends on the effective integration of worker safety and health protection into the comprehensive management system of the participating site. Such systems include assigning accountability for safety and health at all management and employee levels; identifying potential hazards and establishing effective protection against them; training employees in safety work practices; and evaluating system effectiveness regularly.

The current Voluntary Protection Program requirements for the construction industry place significant responsibilities for some of these functions on a labor-management committee, composed of fifty percent or more of employee representatives. This requirement for employee representation has barred participation by construction projects that use non-union employees.

OSHA's first demonstration project, at the Stanton Energy Center in Orlando, Florida, is testing the proposition that stronger management systems and a labor-management safety and health committee with more oversight and less operational responsibility can also be effective. The committee includes non-union volunteers as well as representatives selected by unions.

The project construction managers have implemented stringent safety and health program requirements for all contractors on the site and provided for continuous monitoring of contractor perfor-

mance. They impose substantial penalties for contractors responsible for unsafe activities or conditions.

The effectiveness of this program is being closely tracked to see whether it can serve as a model for similar construction projects.

QUESTION: How widespread is your Voluntary Protection Program and what is the potential for further expansion?

ANSWER: There are currently 40 Voluntary Protection Programs (VPP) sites in the 29 Federal enforcement states across the country, 31 in Star, five in Try, one in the Demonstration Program, and three remaining in the Praise Program. Six 18(b) plan States, California, Indiana, Iowa, Oregon, South Carolina and Vermont, have adopted similar programs.

The participants in the programs are enthusiastic about working with OSHA on a cooperative basis and take every opportunity to sell others on the benefits of VPP. They have organized themselves into an association for that purpose and to promote the exchange of safety and health information. Some of the participants have gone further. They are establishing informal networks of workplaces outside of the VPP to provide mutual information and assistance in improving worker safety and health protection.

After three years, the VPP have demonstrated that worksites with the safety and health program elements required by Star have lost workday case rates that are 75 to 80 percent better than the average for their industries. OSHA is pleased with these results and has developed plans to promote the programs to other large corporations with multiple sites and to other plan States.

STANDARDS FOR HAZARDOUS SUBSTANCES

QUESTION: What is OSHA doing to address the ever-widening gap between the number of hazardous substances coming into the workplace and the standards it is issuing to cover those substances?

ANSWER: OSHA is attempting to issue more generic standards that will address a broad spectrum of problems rather than relying solely on substance-specific standards. For example, the Hazard Communication standard promulgated in November 1983, which became effective in November 1985, requires chemical manufacturers and importers to assess the hazards of chemicals they manufacture and import and to prepare material safety and health data sheets that they must supply to purchasers of their products. In addition, the standard requires these employers and other employers in the manufacturing industry sector to provide hazard communication programs (including training and labelling requirements) to their employees. OSHA is currently exploring the possibility of expanding the Hazard Communication standard to cover all industries rather than simply SIC Codes 20-39. In addition OSHA is attempting to develop a regulatory prioritization system to help OSHA identify the worst hazards and to enable OSHA to focus its resources on regulatory actions which will protect the most workers.

BILLS TO PROTECT WORKERS AT RISK

QUESTION: Bills have been introduced in the House and Senate (S. 2050 and H.R. 1309) through the Department of Health and Human Services to promote early detection and prevention of occupational diseases through a system of identifying, notifying, and counseling workers at risk.

What is the Administration's position on this Legislation?

ANSWER: The Administration has not as yet taken a position on S. 2050, which was introduced on January 27, 1986, and which differs in some details from H.R. 1309. At a hearing on November 20, 1985, before the Subcommittee on Health and Safety of the House Committee on Education and Labor, OSHA testified that the Department of Labor supports the bill's goal --- an informed workforce that is aware of the effect of hazardous exposures. The Department believes, however, that the bill's objective could be realized within existing legal authorities and organizations. For example, OSHA's Hazard Communication Standard provides for better notification of current workers than would H.R. 1309. The agency concluded that existing liability incentives and regulatory authority could effectively promote the development and communication of information about the risk of disease from workplace exposure and that no additional Federal program of the type contemplated by HR. 1309 was necessary.

NOTIFICATION OF WORKERS

QUESTION: What activities does OSHA currently undertake to notify workers in high-risk occupations?

ANSWER: OSHA enforces several standards that require workers to be informed about risks from hazardous substances in the workplace. Every OSHA health standard issued since 1974 under section 6 (b) of the Act requires employers to notify employees of the results of medical examinations required under the standards. In addition, under OSHA's Access to Employee Exposure and Medical Records Rule, which has been in effect since August 1980, employers are required to keep exposure data for employees exposed to substances regulated by OSHA under section 6 (b) and to inform employees of the existence and location of medical records. Information on chemical exposure thus must be made available to workers under this regulation. Former employees also have these rights under the standard.

Most significantly, OSHA's Hazard Communication Standard which went into effect in November 1985 and which will become fully effective on May 25, 1986, requires the use of labels and material safety data sheets to notify employees about chemical hazards. This standard also includes requirements for training employees about the hazards of chemicals to which they may be exposed. The detailed information which is to be provided under this standard must include any information available to a chemical manufacturer or an employer showing that exposure to a substance is associated with increased risk of developing disease. Employers must disclose this information to individual employees exposed to the hazardous chemical and must provide appropriate training about how to minimize the risk involved.

ENFORCEMENT TARGETING

QUESTION: To try to get the most benefit from its limited staff, OSHA has concentrated its enforcement efforts on the highest hazard establishments -- those with 11 or more workers in manufacturing and construction industries -- since the early years of the Reagan Administration.

Has this targeting had any substantial results in bringing down accident rates?

ANSWER: Although the effects of OSHA inspections are difficult to measure, since 1979, injury and illness rates, as measured by the Bureau of Labor Statistics are down. In 1979, BLS reported that 9.5 out of every 100 workers experienced a work related injury or illness. In 1984, BLS reported that rate had dropped to 8.0, a decrease of 15 percent.

Despite this decrease, OSHA is concerned that the most recent survey for 1984 showed that injury rates are increasing. Although studies have shown that OSHA presence at the worksite does make a difference in reducing injuries, it is also clear that external factors such as the economic climate, the level of productivity, and the age of the workforce heavily influence injury rates. Nevertheless, the one year rise has caused a review of OSHA's targeting practices to maximize OSHA's presence in certain economic sectors.

INITIATIVES FOR REDUCING WORKPLACE INJURIES

QUESTION: Do you have any new initiatives aimed at reducing workplace injuries in this time of budget cuts?

ANSWER: OSHA has developed three modifications to its targeting system which will refocus agency enforcement to include a wider range of types of establishments. The three changes include: inclusion of all manufacturing firms on the agency's targeting list; inclusion of five percent of firms from high hazard non-manufacturing into OSHA's targeting system; and conducting comprehensive inspections in every tenth high rate manufacturing firm regardless of the firm's safety record. OSHA believes these policy changes will increase the possibility of an OSHA inspection, regardless of the type of industry and hopefully will contribute to a decrease in the injury rate statistics.

ENFORCEMENT TARGETING

QUESTION: In what ways is the Agency equipped to shift and concentrate its resources in the event of claims in a specific occupational arena?

ANSWER: OSHA's enforcement system is sufficiently flexible to target additional resources and attention to newly emerging hazards or workplace dangers which suddenly become more prevalent. For instance, the agency is currently conducting special emphasis programs nationwide for the following industries or hazards: chemical industry,

fireworks manufacturing, hazard communication, trenching and excavation, hazardous waste sites, and migrant farm labor.

In addition, OSHA is conducting local emphasis programs for a number of hazards or workplace situations which require increased attention in specific areas of the nation. These programs include such hazards as ethylene oxide in hospitals, fall hazards in construction, floating fish processing, cotton dust, nonfixed ship and boat building and repair smelters, and underground tanks.

REDUCING REGULATIONS

QUESTION: The President's proposed budget states that you plan to further reduce the "burden" of OSHA regulations in FY 1987. What further changes do you have in mind?

ANSWER: The agency will continue to focus its regulatory process on performance-oriented, rather than specification-oriented standards. Past regulatory actions often specified precise steps employers were required to follow to insure safe work practices. This approach did not address the diverse situations that are present in American industry nor was it applicable to changing technological conditions. OSHA has found that a more performance oriented approach increases employers' flexibility to address changing workplace conditions while providing more protection to American workers.

Questions Submitted by Senator William Proxmire

STANDARDS

QUESTION: I continue to be concerned over OSHA's inability to live up to its projections for the promulgation of health and safety standards. As I pointed out last year, you initially planned to issue 8 health and 10 safety standards in 1984. As it happened only 3 health standards and 2 safety standards were issued.

Last year's appendix to the budget indicated you planned to issue 4 health and 7 safety standards in 1985 yet you only issued 2 health standards and no safety standards last year. Why do you continue to lag way behind your initial projections?

ANSWER: The standards promulgation process is one that involves coordination between OSHA, other agencies within the Department of Labor and OMB. Sometimes public hearings are requested for a standard -sometimes they are not. It is difficult to project with any great confidence how long it will take for a standard to move through the many steps involved in regulation. OSHA has underestimated in past years the time required to publish standards. We are trying to be more accurate.

SPACE RENTAL CHARGES

QUESTION: Last year you estimated expenditures of $5,858,000 for standard level user charges in 1985. Your actual rental costs in 1985 were $6,834,000. Can you tell us why your estimate was off by over 15 percent?

ANSWER: In FY 1985 OSHA proposed a reprogramming of funds to provide for the GSA space rental charges. OSHA has made a diligent effort over the last several years to control and reduce office space in support of this Administration's goals. Despite this effort, however, OSHA was not provided sufficient funds in the FY 1985 budget to meet actual GSA space billings, thereby necessitating the reprogramming of funds.

BENZENE STANDARD

QUESTION: In the course of last year's March 1 hearing on the OSHA budget we were told by Mr. Rowland that a benzene standard would be leaving the Department very shortly, "possibly next week." I notice that this year's justifications talk about preparing a notice of proposed rulemaking for benzene in 1986.

Where does this proposed rule now stand and what has caused this delay?

ANSWER: OSHA published a proposed rule regulating employee exposure to benzene on December 10, 1985. Public hearings on the proposal will be held in April 1986, and OSHA expects to have a final rule ready for publication early in 1987.

TECHNICAL SUPPORT WORKLOAD

QUESTION: You are requesting $19,658,000 in fiscal year 1987 for your technical support program, an increase of $2,111,000 over last year. In last year's justification you estimated 29,000 equipment units in 1985 and another 29,000 in 1986 would be calibrated and repaired. Your current estimate for those two years is 17,000 for 1985 and 17,900 in 1986. Can you tell us what caused the sharp drop in your initial estimates?

ANSWER: The differences in OSHA's estimates for equipment calibrations and repairs in the FY 1986 and FY 1987 budget submissions are a result of calculation errors which resulted in an overstatement of the estimate in the FY 1986 justification and an understatement in the FY 1987 justification. The correct estimate for calibrations and repairs should be 23,000 for FY 1985 and 1986 and 22,000 for FY 1987. Refinement of the FY 1987 estimate may be made as plans for new equipment purchases are finalized. The estimate in the FY 1986 justification is overstated by 6,000 because of the double counting of calibrations for repaired equipment. The estimate in the FY 1987 justification is understated by 6,000 because equipment repairs were not included.

Questions Submitted by Senator Robert C. Byrd

UNION CARBIDE INSPECTION

QUESTION: Mr. Tyson, in the wake of the August 11, 1985 chemical release which injured 135 people in and around Union Carbide's Insti- tute, West Virginia plant, OSHA instituted a wall-to-wall inspection of the Union Carbide facility.

Would you provide for the record a status report on that study indicating what has been found to date and what recommendations have been made?

ANSWER: On September 17, 1985, OSHA began a wall-to-wall inspection of the Union Carbide plant at Institute, West Virginia. Four inspection teams, each consisting of a safety specialist, industrial hygienist and a chemical engineer were assigned to conduct the inspection. Another team was assigned to review the plant's safety and health program.

OSHA's inspection of five out of 18 units, as well as the safety and health program review, has been completed. Draft citations are currently under review by the agency. When the proposed citations have been issued to the employer we will be able to provide our findings to you.

PROTECTION OF THE COMMUNITY

QUESTION: Are there any special recommendations relating to protection of the surrounding community?

ANSWER: OSHA's purpose in conducting the inspection of Union Carbide, as it is in any inspection, is to determine whether the employer has taken appropriate measures to protect the safety and health of its employees. As previously noted, the Agency is currently reviewing its findings. Some of our findings relating to the safety and health of Union Carbide employees may also relate to community safety.

INSPECTIONS OF CHEMICAL PLANTS

QUESTION: This past year, OSHA instituted a pilot "National Emphasis Program" devoting special attention to the chemical industry. During FY 1983, it is my understanding that OSHA conducted 1,450 inspections of the chemical industry, and only 500 inspections in FY 1984. OSHA has also indicated that it intends to decrease further the number of inspections over the next two years.

In view of the Bhopal disaster of December 1984 and the serious chemical leak in Charleston on August 11, 1985, as well as a number of other incidents, how can you justify reducing the number of inspections relating to chemical plant safety?

ANSWER: OSHA did conduct 1,450 inspections in the chemical industry in FY 1983. In FY 1984, the total number of chemical indus-

try inspections was 1,241 of which 500 were health inspections. In FY 1985, OSHA conducted a total of 1,102 inspections in the chemical industry. In FY 1986 in addition to normal inspection targeting, OSHA will initiate a special emphasis program in the chemical industry. Under this program 80 inspections will be completed. In comparing inspections in the same industry grouping from year to year it is important to note that firms which have been inspected in one year and have abated identified hazards will not be targeted again for three years. Thus there is a cyclical effect on the selection of targeted high hazard industries and the decrease of 209 inspections between 1983 and 1984 does not reflect a lowering of priority for inspections of the chemical industry.

NATIONAL EMPHASIS PROGRAM

QUESTION: How is this reduction consistent with your new National Emphasis Program?

ANSWER: In FY 1986, 80 firms will be inspected in this pilot project. Inspections under this program will take a systems approach to the plant's operations, focusing on management practices as well as physical equipment and conditions. These inspections are expected to take about one month each using a team of two compliance officers. Firms which are on the agency's targeting list for the special emphasis program and on the high hazard targeting list will receive a special emphasis program inspection. Those other chemical industry firms which are on the high hazard targeting list will continue to be inspected in accordance with OSHA's targeting program.

QUESTION: What has been the state and industrial response to date to the pilot "National Emphasis Program?"

ANSWER: The agency has enjoyed excellent industry cooperation to this point in time. Industry has generally provided information requested by compliance officers. In addition, OSHA's compliance officer training classes have been allowed to visit and observe some industrial sites.

The special emphasis program was developed by a task force that included participants from two states. Six states have sent compliance officers to the training classes and some have requested employer lists for targeting purposes.

RESOURCES FOR THE NATIONAL EMPHASIS PROGRAM

QUESTION: Do you have adequate resources in the FY 1987 budget to expand the National Emphasis Program beyond the pilot stage?

ANSWER: An evaluation of the pilot phase of the program will address targeting, staff capability, adequacy of standards and other dimensions of the program that would affect our estimates of resource requirements. An evaluation will be provided to this Committee as requested by May 1986.

Question Submitted by Senator Daniel K. Inouye

PROFESSIONAL NURSES

QUESTION: The Committee has been pleased in OSHA's efforts to work closely with the elected leadership of our nation's professional nursing organizations and to ensure that nursing expertise is appropriately integrated into its programs. The Committee would appreciate receiving a report on this issue, and in particular, learning of the extent to which professional nurses have been appointed to policy advisory committees or are employed in policy positions.

ANSWER: In November 1985, OSHA proposed a change in its Hazard Communication Standard to allow nurses access to trade secrets in non-emergency situations. Public comments, which were due by January 28, 1986, are now being reviewed by the agency. At present there are two nurses on the 12-member National Advisory Committee on Occupational Safety and Health. This is the committee established under section 7 (a) of the Act to advise the Secretary of Labor and the Secretary of Health and Human Services on matters pertaining to the administration of the Occupational Safety and Health Act. Finally, OSHA does not keep track of employees by previous employment or professional affiliations. As a result, it is not possible to determine the number of nurses currently employed by the agency.

LABOR-MANAGEMENT SERVICES

STATEMENT OF STEPHEN I. SCHLOSSBERG, DEPUTY UNDER SECRETARY LABOR-MANAGEMENT RELATIONS AND COOPERATIVE PROGRAMS

ACCOMPANIED BY:

DENNIS M. KASS, ASSISTANT SECRETARY OF LABOR FOR PENSION AND WELFARE BENEFITS

RONALD J. ST. CYR, ACTING ASSISTANT SECRETARY FOR LABOR-MANAGEMENT STANDARDS

PREPARED STATEMENTS

Senator WEICKER. Next we have the Labor-Management Services. If you would step up to bat, I would appreciate it.

Our witnesses on this matter are Dennis Kass, Assistant Secretary for Pension and Welfare Benefit Administration [PWBA]; Stephen Schlossberg, Deputy Under Secretary for Labor-Management Relations and Cooperative Programs; and Ronald St. Cyr, the Acting Assistant Secretary for Labor-Management Standards.

Before you begin, we will insert your prepared statements in the record in their entirety.

Who is going to submit the first statement here?

Mr. KASS. Senator, if you wouldn't object, I would like Steve Schlossberg to do the honors.

Senator WEICKER. That is an interesting situation. I have a biographical sketch here on Mr. Schlossberg. I note that he attended the University of Virginia from 1938 to 1941. Then he served in the United States Army in Europe from 1941 to 1945. Then it goes on to bring him to reentering the University of Virginia, and receiving his LL.B. in 1957.

It just so happens that somebody else in this room received their LL.B. from the University of Virginia in 1958. Everybody sort of looked upon Steve Schlossberg as being extraordinarily bright and able. What are you doing here?

[General laughter.]

[The statements follow:]

Statement of Stephen I. Schlossberg

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to appear before you as the Deputy Under Secretary for Labor-Management Relations and Cooperative Programs to present the budget request for fiscal year 1987.

The fiscal year 1987 request for the Bureau is $4,904,000 and 68 FTE's. From FY 1986 this is a net increase of $353,000 and a reduction of 1 position. The reduction of 1 position reflects savings achieved through productivity improvements and lower average grade costs. The Bureau is requesting increased funding to expand the number of case studies necessary for further research, allow the Bureau to publish an adequate number of publications, hold conferences on the cooperative aspects of labor-management relations, and work with labor, management, government and scholars.

This appropriation covers the administration of a variety of employee protection programs and labor-management relations activities. The Bureau's overall strategies for FY 1987 will aim at supporting efforts to foster and promote cooperative labor-management relations. This funding level will permit us to continue most program activities at approximately 1986 levels.

These resources will be utilized to encourage and promote labor-management cooperation through information sharing, development of education and training materials, conferences and symposia, and a research program; to provide labor standards and other protections to employees affected by grants under the Urban Mass Tranportation Act, the Airline Deregulation Act, and other Federal assistance programs; and to assist the Secretary and other top Administration officials in carrying out their responsibilities in the labor-management relations area.

Thank you, Mr. Chairman for the opportunity to make this statement. I will be glad to respond to any questions you may have.

Statement of Dennis M. Kass

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before you today. I will present the Pension and Welfare Benefits Administration portion of the Labor-Management Services budget request for fiscal year 1987. Sitting with me are Acting Assistant Secretary Ronald J. St. Cyr, representing the Office of Labor-Management Standards, and Deputy Under Secretary Stephen I. Schlossberg, representing the Labor-Management Relations and Cooperative Programs, who will discuss their respective portions of the Labor-Management Services budget request following my presentation.

I am honored to be here as the first Assistant Secretary of Labor for Pension and Welfare Benefits. The upgrading of the agency head position to Assistant Secretary along with the redesignation of our agency as the Pension and Welare Benefits Administration reflects the importance that Secretary Brock

attaches to the responsibilities we have to administer and enforce ERISA and to provide leadership in the development of national policy on employee benefit plans.

Private sector pension and welfare benefit programs and their related assets continue to grow at a significant rate and are of increasing importance to American workers and to our economy. Specifically, there are over 900 thousand private sector pension plans that cover approximately 60 million participants and hold over $1 trillion in assets. Welfare benefit plans, of which there are an estimated 4.5 million, cover a majority of Americans. As a result, we at the Department are striving to improve the quality of our efforts, especially in the enforcement, regulatory, and research areas.

We have initiated a number of actions to improve the efficiency, effectiveness and credibility of our administration of the Title I program, especially in the enforcement area. For example, the enforcement program was restructured in 1985 to promote greater efficiency in our field operations; a Division of Investigations was established in the national office to conduct complex, highly visible nationwide investigations; and a comprehensive enforcement training program was undertaken. We are currently in the process of performing a comprehensive review of the Form 5500 series with a view towards significantly improving the usefulness of these forms for the government and plan participants while at the same time reducing the related paperwork burden on the public. We are also committed to finalizing a number of major regulations and exemptions which will serve to provide guidance to the private sector and protect plan participants while promoting a careful reduction of the regulatory burden on plans and their sponsors. All these activities flow from the broader goals established by Secretary Brock, who has taken a number of definitive actions to demonstrate his commitment to this program. These and other important initiatives will continue in 1987.

The fiscal year 1987 budget request for PWBA totals $33.6 million and includes 492 FTE. This represents an increase of $6.0 million and 13 FTE from our FY 1986 level. The primary changes from FY 1986 include additional resources to continue to develop an effective and comprehensive system for the collection and dissemination of ERISA data; to update the Department's current longitudinal base of pension data; and to provide increases in field plan accomplishments, employee training, and contractual expenditures.

Our FY 1987 budget reflects a continued effort to define objectives that directly support our overall program goals. We will continue to make our enforcement and regulatory responsibilities a priority in our overall resource allocation. In addition, we are seeking funds to go foward on two major initiatives.

Our FY 1987 budget includes a contingency amount of $1.1 million for development of a comprehensive ERISA data base system pending completion of analyses starting in FY 1986 on the need, alternatives for and impact of such a system. The results of these analyses will, we expect, be translated into requests for

proposals for the data base development, and the technical expertise to support its development.

Our FY 1987 request also includes $.8 million to update our existing longitudinal pension data base. The continuation of this program, which we have had in place for several years, is essential if we are to have adequate statistical, economic and benefit information to make informed policy and regulatory decisions in today's rapidly changing plan universe.

In summary, I feel our budget proposal represents a conservative yet responsible approach to meeting our vast responsibilities under Title I of ERISA. Mr Chairman, that concludes my opening statement, I would be pleased to respond to any questions you may have.

STATEMENT OF RONALD J. ST. CYR

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you as Acting Assistant Secretary for Labor-Management Standards to present the budget request for fiscal year 1987.

Our request is for $23,735,000 and 440 FTE and reflects a net decrease of 1 FTE and a net increase of $1,083,000. The request includes a funding and staff increase for audit and investigative activities, as well as a program decrease associated with the President's productivity improvement initiative.

The Office of Labor-Management Standards continues to be strongly committed to eliminating or preventing improper or corrupt practices by labor organizations and their officers and representatives and combatting those serious violations of the LMRDA which interfere with democratic processes within labor organizations.

During the past year, several changes were made to improve our overall operations. Specifically, a new Compliance Audit Program (CAP) Handbook was distributed to our field staff which includes numerous revisions to improve the program, particularly more detailed instructions. A review of the International Compliance Audit Program (I-CAP) was completed and a substantially revised I-CAP will be implemented nationally during FY 1986. In addition, the national office delinquent reports program was analyzed and a decision was made to return the program to the field offices because delinquent labor organization annual financial reports are a serious problem which requires more attention and enforcement emphasis. The new field program became operative during the latter part of FY 1985.

During FY 1986, new measures are being implemented which will improve case handling and review in the election program. We are reviewing the deficient reports program and new measures are being developed to improve compliance with the LMRDA. In addition, continued emphasis will be placed on obtaining proper compliance with the provisions of the LMRDA relating to employer/consultant reporting and improving overall liaison/compliance assistance activities. In this regard, we plan to hold approximately 75 seminars on LMRDA compliance assistance and have established ongoing contact with state labor officials.

During FY 1987, continuing emphasis will be placed on a well-balanced program of civil and criminal investigations, as well as financial audits. As mandated by law, the union officer election investigations and supervised elections will continue to receive priority attention. In addition, OLMS intends to enhance its efforts in achieving an effective liaison/compliance assistance program by establishing and maintaining regular contact with top level international and national union officials. Other major objectives continue to include better control of operating costs, improved public services delivery, and emphasis on the President's management initiatives to streamline administrative support through management and organizational improvements.

Mr. Chairman, I thank you for the opportunity to present our program to the Subcommitte and I will be glad to respond to any questions you may have.

Biography of Stephen I. Schlossberg

Stephen I. Schlossberg was appointed deputy under secretary of labor for labor-management relations by Secretary of Labor William E. Brock on May 20, 1985.

In this position, Schlossberg is responsible for efforts to assist employers and employees to participate in cooperative efforts to improve productivity, economic competitiveness, and the quality of working life. He also keeps department and other government officials abreast of significant developments in industrial relations and administers certain employment protections and benefits established by Federal law.

Schlossberg previously was a partner in the law firm of Zwerdling, Schlossberg, Leibig and Kahn. Before that, he was with the United Automobile Workers Union (UAW) from 1963-1981 serving as associate general counsel, general counsel, and director of government and public affairs.

Schlossberg was born in Roanoke, Va., on May 18, 1921. He attended the University of Virginia from 1938-1941 and served in the U.S. Army in Europe from 1941-1945.

After his discharge, Schlossberg was a department store manager from 1945-1949 and an organizer for the International Ladies Garment Workers Union (ILGWU) from 1949-1954. He then reentered the University of Virginia and received an LLB in 1957. He also holds a B.S. degree from that university.

Schlossberg was with the law firm of Van Arkel and Kaiser from 1957-1961. He then served as special assistant to the director of the Federal Mediation and Conciliation Service from 1961-1963.

Schlossberg is the author of Organizing and the Law as well as numerous journal articles and book reviews. He is a former adjunct professor of law at the Georgetown University Law Center.

He served on the President's Commission on Industrial Competitiveness and the President's Advisory Board on Ambassadorial Appointments. He is a former member of the board of the National

Consumer's League, and the National Legal Aid and Defenders Association.

Schlossberg is married to the former Nancy Kamin. They have a daughter, Karen, and a son, Mark.

Biography of Dennis M. Kass

Dennis M. Kass was appointed Assistant Secretary of the Pension and Welfare Benefits Admnistration on December 4, 1985, giving him direct administrative, regulatory and enforcement responsibility for over 800,000 pension and 4-1/2 million welfare plans covered by the Employee Retirement Income Security Act (ERISA).

Mr. Kass was Managing Director of Equitable Investment Corporation from 1983 before joining the Labor Department. From 1982 to 1983, he was Vice President of Dean Witter Reynolds, Inc.

Previously, he spent two years on the White House staff, serving as Special Assistant to the President for Policy Development and Executive Secretary of the Cabinet Council on Commerce and Trade. Mr. Kass also served as Assistant Director for Policy Coordination of the Reagan/Bush Transition Team during 1980.

Mr. Kass held the position of manager in the corporate finance department of Citicorp Investment Bank and was an officer in the World Corporation Group of Citibank, N.A., from 1977 to 1980.

He graduated in 1972 from Principia College with a degree in history and received a Masters of Science in Management from the Massachusetts Institute of Technology in 1977.

Biography of Ronald J. St. Cyr

Ronald J. St. Cyr was appointed Deputy Assistant Secretary for Labor-Management Relations by Secretary of Labor Raymond J. Donovan on May 22, 1981.

In March 1983, Mr. St. Cyr was named Acting Assistant Secretary for the Office of Labor-Management Standards and later was given the additional title of Acting Deputy Under Secretary for the Bureau of Labor-Management Relations and Cooperative Programs.

Mr. St. Cyr came to the Labor Department after 26 years with Kaiser Steel Corporation where he worked his way up through the ranks to become manager of industrial relations.

During his career with Kaiser, Mr. St. Cyr also served as superintendent of industrial relations, labor relations representative, safety representative, and held various other supervisory and union hourly positions. In addition, he also taught numerous evening college management courses.

Born in Warwick, R.I., on October 9, 1935, Mr. St. Cyr lived in Southern California most of his life.

Mr. St. Cyr received his Bachelor's Degree in Business Administration from California State University at Los Angeles in 1969 and his Master's in Business Administration from Pepperdine University in 1974.

A veteran of the U.S. Army, Mr. St. Cyr resides in the District of Columbia.

STATEMENT OF STEPHEN I. SCHLOSSBERG

Mr. SCHLOSSBERG. Thank you, Senator for those very kind words. I guess what I am trying to do is to help Secretary Brock in an effort to try to make this country more competitive by assisting labor and management to find new and innovative ways to cooperate.

Senator WEICKER. I think that it is a great thing, and I think that it is also a measure of Bill Brock when he reaches out to people such as yourself to serve in this administration. I think that it is just terrific.

Mr. SCHLOSSBERG. That is very kind of you, Senator, and I appreciate it.

I want to thank my colleagues, and if you don't mind, I will submit our statement for the record.

Mr. Chairman, I will tell you that we are very excited about the work we are doing because that work seems to offer great promise. We look upon it as an investment in the future of America, and the future of America's industrial economy to be able to stand up in the world with its head high, and to compete on a fair basis with others all over.

Our budget for 1987 includes $4,904,000. It is a small budget, we are a small agency. We have asked for an increase of $353,000.

The reason we have asked for that is because we feel we are doing very important work, even though it is not showy and flashy, and doesn't make the headlines. Every day we are talking to people who are making things work, and who are trying new ways to make them work better.

We have about 30 to 35 conferences a year involving the leaders of labor-management. We try to put out as meaningful a list of publications as we can, in the neighborhood of 10 to 15 each year. We do research on new ways that people can cooperate to produce a better society.

We have managed to have a reduction of one position by virtue of productivity increases. I would say, Senator, I don't mean to take your time, and I appreciate your kindness and your courtesy. I, just for the record, would like to say that I have been struck by the quality and the professionalism of this small staff that I found when I came over to Labor.

I have been, as you know, in the private sector most of my life, and it has been a pretty long and interesting life, but I can tell you that these few professionals, this band of professionals that I have to work

with are as exciting as any team that I have ever seen in my life. I am really thrilled and honored to have the opportunity to work with my colleagues on the executive staff, with Secretary Brock, and with this wonderful band of dedicated professionals.

Thank you.

Senator WEICKER. Thank you very much.

STATEMENT OF DENNIS M. KASS

Mr. KASS. Mr. Chairman, if you don't mind, I will read my statement into the record.

Senator WEICKER. Very well.

Mr. KASS. I appreciate the opportunity to appear before you today. I will present the Pension and Welfare Benefits Administration portion of the Labor-Management Services budget request for fiscal year 1987.

I am honored to be here as the first Assistant Secretary of Labor for Pension and Welfare Benefits. The upgrading of the agency head position to Assistant Secretary, along with the redesignation of our agency as the Pension and Welfare Benefits Administration reflects the importance that Secretary Brock attaches to the responsibilities we have to administer and enforce ERISA and to provide leadership in the development of national policy on employee benefit plans.

Private sector pension and welfare benefit programs and their related assets continue to grow at a significant rate and are of increasing importance to American workers and for the economy. Specifically, there are over 900,000 private sector pension plans that cover approximately 60 million participants and hold over $1 trillion in assets.

Welfare benefit plans, of which there are an estimated 4.5 million, cover a majority of Americans. As a result, we at the Department are striving to improve the quality of our efforts, especially in the enforcement, regulatory, and research areas.

We have initiated a number of actions to improve the efficiency, effectiveness, and credibility of our administration of the title I program, especially in the enforcement area. For example, the enforcement program was restructured in 1985 to promote greater efficiency in our field operations; a Division of Investigations was established in the national office to conduct complex, highly visible nationwide investigations; and a comprehensive enforcement training program was undertaken.

We are currently in the process of performing a comprehensive review of the form 5500 series with a view toward significantly improving the usefulness of these forms for the Government and plan participants, while at the same time reducing the related paperwork burden on the public.

We are also committed to finalizing a number of major regulations and exemptions, which will serve to provide guidance to the public sector and to protect plan participants, while promoting a careful reduction of the regulatory burden on plans and their sponsors.

All of these activities flow from the broader goals established by Secretary Brock, who has taken a number of definitive actions to demon-

strate his commitment to this program. These and other important initiatives will continue in 1987.

The fiscal year 1987 budget request for PWBA totals $33.6 million, and includes 492 full-time employed staff. This represents an increase of $6 million and 13 FTE from our fiscal year 1986 level. The primary changes from fiscal year 1986 include additional resources to continue to develop an effective and comprehensive system for the collection and dissemination of ERISA data; to update the Department's current longitudinal base of pension data; and to provide increases in field plan accomplishments, employee training, and contractual expenditures.

Our fiscal year 1987 budget reflects a continued effort to define objectives that directly support our overall program goals. We will continue to make our enforcement and regulatory responsibilities a priority in our overall resource allocation. In addition, we are seeking funds to go forward on two major initiatives.

Our fiscal year 1987 budget includes a contingency amount of $1.1 million for development of a comprehensive ERISA data base system pending completion of analyses started in fiscal year 1986 on the need, alternatives for and impact of such a system.

The result of these analyses will, we expect, be translated into requests for proposals for the data base development, and the technical expertise to support its development.

Our fiscal year 1987 request also includes $800,000 to update our existing longitudinal pension data base. A continuation of this program, which we have had in place for several years, is essential if we are to have adequate statistical, economic, and benefit information to make informed policy and regulatory decisions in today's rapidly changing plan universe.

In summary, I feel our budget proposal represents a conservative, yet responsible approach to meeting our vast responsibilities under title I of ERISA.

Mr. Chairman, that concludes my opening statement, and I will be happy to answer any questions.

STATEMENT OF RONALD J. ST. CYR

Mr. ST. CYR. Mr. Chairman, it is a pleasure for me to be here also. I, too, would like to read my statement into the record, if that is all right. It is very brief.

Senator WEICKER. Go ahead.

Mr. ST. CYR. As I said, I do indeed appreciate the opportunity to appear before you as Acting Assistant Secretary for Labor-Management Standards to present our budget request for fiscal year 1987.

Our request is for $23,735,000 and 440 FTE, and reflects a net decrease of 1 slot, and a net increase of $1,083,000. The request includes a funding and staff increase for audit and investigative activities, as well as a program decrease associated with the President's productivity improvement initiative.

The Office of Labor-Management Standards [OLMS] continues to be strongly committed to eliminating or preventing improper or corrupt practices by labor organizations and their officers and representatives, and combating those serious violations of the Labor-Management Reporting and Disclosure Act [LMRDA] which interfere with democratic processes within labor organizations.

During the past year, several changes were made to improve our overall operations. Specifically, a new compliance audit program handbook was distributed to our field staff which includes numerous revisions to improve the program, particularly more detailed instructions.

A review of the International Compliance Audit Program [I–CAP] was completed and a substantially revised I–CAP will be implemented nationally during fiscal year 1986. In addition, the National Office Delinquent Reports Program was analyzed and a decision was made to return the program to the field offices because delinquent labor organization annual financial reports are a serious problem which requires more attention and enforcement emphasis. The new field program became operative during the latter part of fiscal year 1985.

During 1986, new measures are being implemented which will improve case handling and review in the Election Program. We are reviewing the deficient reports program and new measures are being developed to improve compliance with the LMRDA. In addition, continued emphasis will be placed on obtaining proper compliance with the provisions of the LMRDA relating to employer/consultant reporting and improving overall liaison/compliance assistance activities. In this regard, we plan to hold approximately 75 seminars on LMRDA compliance assistance and have established ongoing contact with State labor officials.

During fiscal year 1987, continuing emphasis will be placed on a well-balanced program of civil and criminal investigations, as well as financial audits. As mandated by law, the union officer election investigations and supervised elections will continue to receive priority attention.

In addition, OLMS intends to enhance its efforts in achieving an effective Liaison/Compliance Assistance Program by establishing and maintaining regular contact with top level international and national union officials.

Other major objectives continue to include better control of operating costs, improved public services delivery, and emphasis on the President's management initiatives to streamline administrative support through management and organizational improvements.

Mr. Chairman, I thank you for the opportunity to present our program to the subcommittee. I will be glad to respond to any questions which you may have.

COMPLIANCE AUDIT PROGRAM

Senator WEICKER. Your budget proposes to increase compliance audits in fiscal year 1987 by 18 percent under the Labor-Management Reporting and Disclosure Act.

Tell us what you have done to merit increased spending in this area, after testimony 1 year ago from your inspector general that compliance audits were not an effective enforcement tool?

Mr. ST. CYR. Well, sir, as we stated the last time, we feel that our compliance audit program is an effective tool. However, its effectiveness cannot be isolated to merely criminal investigations and activities.

The CAP Program provides us with an opportunity to give compliance assistance on a continuing basis. It provides us with an opportunity to discover civil violations, bonding deficiencies, delinquent filings, deficient filings, and so forth.

We work continually to upgrade our CAP Program. In fact, we have asked the AFL–CIO to give us some suggestions as to how we can be more effective in implementing our CAP Program, and we have had ongoing meetings with the AFL–CIO. They have given us a number of suggestions which we have implemented, and I think that they feel very positive about our response to their concerns.

I think CAP is a very effective program. It is not fully understood by the inspector general. We have tried to make them understand it. But we are interested not in simply discovering criminal violations, but civil violations, and we can't seem to make them understand.

CAP is a tool that is designed not only to uncover embezzlements, but it is also a tool to detect and correct civil violations, and to provide compliance assistance and help to those unions, officers, and workers, so that they will know what the law is, and know what they have to do in order to comply with it.

REGIONAL OFFICE ELECTION SUPERVISION

Senator WEICKER. Last October, the New York regional Office of Labor-Management Standards issued guidelines for the conduct of a supervised election of the Drug, Hospital, and Health Care Workers Local 1199. The timetable called for an election in March 1986, but apparently the election is still not scheduled. When do you expect this election to be held?

Mr. ST. CYR. In April. What we have tried to do is to get both parties together, and have them identify which polling sites are best. We are trying to limit the number of polling sites. We are trying to stagger the election over a 10-day period because our feeling is, to the extent that we can, it is best to have an onsite election rather than a mail ballot election, but it takes a lot of resources to do that and we're trying to work it out.

We have talked to the parties, both parties to the election, we have, as of this date, agreed to polling sites; we have agreed to a time for the election, and that is going to be held in April.

PENSION WORKLOAD

Senator WEICKER. While your budget shows that you are increasing pension fund investigations, it also indicates new cases are coming in faster than you can process them.

What additional appropriations would be needed to reduce pension workload to the level pending at the beginning of fiscal year 1985?

Mr. KASS. The number pending at the beginning of fiscal year 1985 was 1,889.

I think, Senator, there is no question that the current budgetary environment and the very large number of employee benefit plans place heavy burdens on our enforcement operation to conduct investigations.

I do not have a precise budget number that would enable us to achieve the 1985 level, but I believe that under existing budget levels, and particularly in view of efforts that have been undertaken on the management program to improve the utilization of the resources that we have, we are making substantial improvements in the level of investigations and in the quality of investigations we are conducting.

COMPREHENSIVE DATA BASE SYSTEM

Senator WEICKER. Your budget includes $1.1 million to develop procurement proposals for a comprehensive Employee Retirement Income Security Act data base system. How would such a system be utilized?

Mr. KASS. Getting a workable system is abolutely critical, both for enforcement, the purpose for which it is primarily intended from our point of view, as well as for research and public information purposes. In connection with enforcement, an electronic filing system with a comprehensive ERISA data base would help us to get more timely information. Right now there are tremendous delays in the receipt of this information and, therefore, in our ability to process it and make good use of it.

Such a system would enable us to much improve our ability to target for particular kinds of violations and, in essence, to leverage the professional resources we have with a better technological capability.

So that is a critical long-term need.

BLMRCP CONTRACTS

Senator WEICKER. Steve, you are requesting an increase of $205,000 to expand case studies, publications, and seminars of the Bureau of Labor-Management Relations and Cooperative Programs [BLMRCP]. Do you have any particular contracts in mind, at this point, for spending this money?

Mr. SCHLOSSBERG. Yes; one particular contract we have in mind, Mr. Chairman, is to try to discover the causes of industrial peace, where it exists today, and where it is beginning to flower. For instance, the General Motors [GM] Corp., and the United Auto Workers [UAW], two institutions with whom I have a personal familiarity over the years, have really made a change in attitudes, in the relationship. It started with a

little experiment in North Tarrytown, NY, and has now spread to exciting visions like the Saturn, and the joint venture with Toyota in California.

The GM–UAW relationship will be one of the lead cases in our study of successful examples of labor-management cooperation that have helped enterprises better meet the challenges of today and tomorrow. There are others. We have some in the soft goods industry, and some in steel.

We have to worry about, in these case studies, not only what succeeds, but what fails. We hope that we can make every failure a constructive failure. I noticed, in the Eastern Airlines thing, which hardly was a bed of roses for those who believe in participative cooperation, evidently things didn't go so well. We would like to know why, and we would like to be able to tell the public why, because in understanding the reasons for success, as well as for failure, we make it easier for those who come along later.

One of the things that we are going to research, for instance, and I am sure you will be interested in this, is a study of how the legal structure in this country impedes the progress that we are trying to make in these participative, cooperative industrial democracy areas.

In other words, we want to know whether the laws that said that you and he should fight, and I will be the umpire, are really appropriate for a society that is going to try to say, you and he should get along, and we are going to create a climate for you to get along in.

So we want to take a very careful look at those laws. We want to bring in some distinguished professors from law, and some of the great pragmatists in both the labor and management fields, as well as some of the industrial relations specialists, and try to leave a legacy for those who are going to come after us.

We are certainly not going to introduce anything in the next couple of years, I can promise you that, but we hope to leave a body of knowledge behind, and a body of experience that will at least make it easier for those who come after to analyze the effects of these kinds of things.

Those are the kind of things that we are doing, Senator. If you want more, I would be more than happy to supply you with written answers.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. That is fine. Thank you very much.

There will be further questions for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

SPECIAL UNION ELECTION

Question: Last October, the New York Regional Office of Labor-Management Standards issued guidelines for the conduct of a supervised election of the Drug, Hospital and Health Care Workers Local 1199. The timetable called for an election in March 1986, but apparently the election is still not scheduled. What efforts are being made to insure that this election is free of fraud and intimidation?

Answer: The Department's representatives are monitoring all phases of the election, including candidate and voter eligibility, election of voting sites, and voting schedules. Ballots will be under the Department's constant control. Department representatives will supervise the balloting at every site and will participate in and supervise the tally. All grievances will be investigated.

Question: Can you suggest ways that the Labor Department might speed up its handling of contested union elections?

Answer: The Department's normal commitment is to complete a supervised election within 90 days of a court order or agreement for a new election. We have been very successful. A number of factors have contributed to unavoidable extensions in this election; as must be expected in a union of over 73,000 members facing a hotly contested election, negotiations have been extensive and delicate.

TEAMSTERS' ELECTION PROCEDURES

Question: The press has alleged that at least four proposals within the Labor Department from 1978 through 1983 to take legal action against the Teamsters' election procedures were sidetracked. Is there evidence that the Teamster election process is illegal, giving incumbents too much power to weed out potential opposition delegates?

Answer: The controversy surrounding the Teamsters' election procedures is one of the most publicized and least understood elements of our election enforcement program. The controversy concerns the union's procedure for electing convention delegates, who in turn nominate and elect the international officers. Section 401(a) of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA), provides that national and international unions must elect their officers either by secret ballot among the members in good standing or at a convention of delegates chosen by secret ballot.

There are two main issues in the Teamsters delegate selection controversy.

- Whether local officers can automatically serve as delegates by reason of their election to local office by secret ballot vote of the membership if the union's constitution and bylaws so provide; and, if so,

- Whether in the event a local has more officers than delegate positions, the local executive board can decide which officers will be delegates.

The Department has consistently held that the practice of ex officio delegates is not inconsistent with section 401(a) of the LMRDA. This position is expressed in the Department's interpretative regulations at 29 CFR 452.120. There have been no proposals within the Department to change this position which is currently being challenged in a lawsuit filed by the Teamsters for a Democratic Union.

The second issue is more problematic, however, and has been the subject of some discussion within the Department as to whether the Department's previous approval of an executive board designation procedure should be modified because this procedure poses an arguable conflict with Title IV of the LMRDA. This issue is not involved in the lawsuit referred to above, but is the subject of a February 3, 1986, letter from attorney Arthur Fox on behalf of a Teamsters member. This letter, which is currently being reviewed within the Department, requests that we inform the Teamsters that the executive board designation procedure violates Title IV of the LMRDA.

Question: <u>What is the current status of a suit filed by Teamsters for a Democratic Union; seeking overhaul of the Teamsters election process?</u>

Answer: The suit seeks to have the Department's interpretative regulation at 29 CFR 452.120 struck down. This regulation states that labor organization officers who have been elected by secret ballot vote of the membership may, by virtue of their election to office, serve as delegates to conventions at which officers will be elected.

On March 6, 1986, Judge Oliver Gasch of the United States District Court for the District of Columbia dismissed the case for lack of subject-matter jurisdiction. He held that his review of the language and structure of the Labor-Management Reporting and Disclosure Act of 1959, as amended, its legislative history, and its objectives compel the conclusion that Congress intended to preclude judicial review of alleged violations in pre-election suits brought by union members.

PENSION INVESTIGATIONS

Question: While your budget shows you are increasing pension fund investigations, it also indicates new cases are coming in faster than you can process them. (Page LMS-30) (Background: There are 1,889 cases pending at the start of fiscal 1985, and 2,111 cases at the end of fiscal year 1986; the backlog is expected to be 2,168 cases at the end of fiscal 1987.) What do you have in mind to improve the effectiveness of ERISA enforcement activities?

Answer: During the current fiscal year, one of the important enforcement activities will be to revise PWBA's Enforcement Strategy Document. This policy statement provides guidance as to the conduct of our enforcement program and to establish the nature and kinds of cases to receive priority consideration. We are also reviewing our procedures for report writing of investigative results to streamline these requirements with the anticipated result of reducing time to process certain cases.

In addition, an important adjunct of the Department's enforcement of ERISA is the excise tax that can be imposed by the Internal Revenue Service (IRS). We coordinate our investigative effort with the local IRS offices so that our efforts can be most effective. As a part of this coordination, we encourage our field offices to make determinations as to whether the resolution of an investigation can best be accomplished by referral to the IRS for imposition of the excise tax. We will be working closely with the IRS this year to enhance and improve this coordination, with one of the benefits being that PWBA may be able to obtain a higher number of cases processed than originally anticipated.

PENSION DATA

Question: Your budget includes $1.1 million to develop procurement proposals for a comprehensive Employee Retirement Income Security Act (ERISA) data base system. What information would be made available to help guide policy and legislation?

Answer: All plan identification information, participant information, financial information, actuarial data, and investment data would be computerized and would be quickly available for analysis. Such comprehensive information is not available for the policymaker under the present system. The comprehensive data base will provide the Government with up-to-date, detailed, and accurate information on the ERISA universe so that ad hoc and emerging policy and legislative issues can be addressed in a timely fashion. Most importantly, current comprehensive statistics on changes and shifts in on-going plans as well as termination and formation of plans will be available to provide the basis for evaluation of the effects of policy and legislative change in the dynamic ERISA universe of plans.

Question: What is your estimate of the total cost of completing a comprehensive ERISA data base system?

Answer: Since we are continuing to examine the technical feasibililty and cost-effectiveness of various options, it would be premature to provide a reliable estimate at this time.

LABOR RELATIONS CASE STUDIES

Question: You are requesting an increase of $205,000 to expand case studies, publications and seminars of the Bureau of Labor-Management Relations and Cooperative Programs. Give us an example of a "case study" that you would like to have more of.

Answer: Underlying our choice of a case study is the Bureau's conviction that it must be useful to practitioners. It must provide labor and management with examples of success or failure that will permit practitioners to learn and to make knowledgeable decisions about their own situations. The case studies also should be useful as a classroom learning tool for future managers and union leaders in preparing to participate in labor-management relations and cooperation.

With these goals in mind, in 1985 we chose a case study of Eastern Airlines because it had adopted three innovative procedures: labor-management cooperation, an employee stock ownership plan, and membership on the board of directors for union representatives. Each of these three innovations is valuable to study in its own right, even more so in combination. It is also valuable because it was born in crisis and now it is still more useful because our Harvard University researchers have the opportunity to assess the impact on the three innovations of today's financial and labor relations problems and the recently announced change of ownership.

LABOR RELATIONS PUBLICATIONS

Question: Why does your budget show a drop in the number of publications from 15 in fiscal 1985 to 10 in fiscal years 1986 and 1987? (page LMS-17)

Answer: A Bureau policy decision was made to use funds originally allocated to contract for the writing of publications to meet agency budget reductions required under the Balanced Budget Act. The Bureau's publications budget was reduced by approximately 50 percent to help meet cost saving requirements.

LABOR RELATIONS CONTRACTUAL RESEARCH

Question: What is the budget increase for contractual research, and how would these funds be specifically used?

Answer: The budget increase for contract research is $70,000 and would return BLMRCP to its previous budget level of $250,000. While the specific study for which this sum will be used has not yet been decided upon and will not be until late spring 1986 when our annual research workplan is developed, it would fall within the three general areas that constitute the Bureau's present research priorities: labor-management cooperation, technological change or the transition in industrial relations. These are all areas where the additional money could be used effectively to understand and promote non-adversarial labor-management strategies.

GLOBAL COMPETITIVENESS

Question: Your Bureau of Labor Management Relations sponsored a conference this week in Tampa, Florida, on "Global Competitiveness." Can you tell us what was discussed at this conference, and whether you deem it a success?

Answer: The First Southeastern Labor-Management Conference was indeed a success. The event represented the Bureau's first major outreach effort in a region that is rapidly emerging as the new industrial center. The timely conference theme, "Keeping the Competitive Edge in Global Markets," together with the geographic area at which it was aimed, helped to attract policy makers from major unions, and their corporate counterparts, as both speakers and participants. These factors enabled the Bureau to achieve two major goals: (1) to provide a forum wherein top leaders from labor and industry could jointly discuss broad cooperative strategies that would strengthen the economic health of their respective industries and to share ways in which innovative labor relations practices and the effective utilization of human resources could enhance the capability of those industries to compete; and (2) to encourage a dialogue among labor and management principals in the region around such strategies and to foster a cooperative approach towards implementation.

Question: How much did this conference cost the government and how much of the expense came from private sources?

Answer: The Government's contribution to the First Southeastern Labor-Management Conference totaled approximately $15,000. Contributions from private sources was slightly higher and amounted to approximately $19,000. While the level of resources committed to this event was modest, the Bureau was able to attract policy makers from key industries in the region, such as, rubber, telecommunications, auto, coal, textile, paper, aluminum, and others, both as speakers and as participants, to discuss the critical issue of competitiveness . (A few of the policy makers included: Mike Stone, president of the Rubber Workers; Morton Bahr, president of the Communications Workers; B.R. Brown, CEO, Consolidation Coal Co.; Richard Trumka, president of the Mine Workers; Bill Brown, corporate director, Labor Relations/Human Resources, Dunlop Tire; Richard Holder,

executive vice president, Fabricating Operations, Reynolds Metals.) The issue was addressed on an industry by industry basis with balanced perspectives from both labor and management. Participants, for the most part, were decision-makers from companies or unions representing each of the industry sectors. (A few of the participants included: Bill Carr, president, Mining Division, Jim Walter, Corp.; Walter Bish, president, Independent Steelworkers Union; Edward Bader, staff vice president, B.F. Goodrich Co.; F.J. Laux, senior vice president, Phillip Morris, USA; Robert Dillard, president, Tuscaloosa Central Labor Council.)

The combination of policy makers from both industry and labor, coupled with decision-makers from companies and unions represented by those industries, created an environment conducive to productive discussions of the issues and how they may be addressed.

Morerover, conference participants, approximately 150, were requested to voluntarily evaluate the conference. Twenty-two percent of the participants responded. With regard to the program content, fifty-three percent of the respondents rated the content from "very good" to "good"; another thirty-four percent rated the program content as "excellent". The evaluation forms, as they were submitted by respondents, are being submitted under separate cover.

Question: How often do you sponsor conferences of this type each year?

Answer: The Bureau has sponsored two other regional conferences, both in the Southwest (Phoenix, Arizona, February 1984 and Las Vegas, Nevada, October 1985). Each conference focused on issues that were national in scope combined with issues that were pertinent to people in the affected region.

Preparations are currently under way for the First Midwest Labor-Management Conference. This conference will be directed towards labor and management practitioners in six targeted states. These are: Iowa, Arkansas, Kansas, Missouri, Oklahoma and Illinois. The conference is scheduled to take place June 30-July 2, 1986 in the Ozarks. As with the Southwest conferences, this conference will also center on issues that are both national in scope and those that are particularly pertinent to people and industries in the affected region.

PENSION TERMINATIONS

Question: In December, Secretary Brock announced formation of a task force to study pension plan terminations. How significant a problem is there with increasing pension plan terminations?

Answer: The chart below shows the trends in terminations for reversion from 1980 through 1985. The numbers evince a progressively higher termination rate; in 1985 $5.5 billion in reversions was taken by plan sponsors, making the cumulative total through this date equal to $11.2 billion. While this number is large absolutely, it is useful to recall that there is approximately $1 trillion in private defined benefit plans in the U.S. Thus, only approximately one-half of one percent of this total has been taken in the form of reversions.

REVERSION STATISTICS

I. REVERSIONS IN EXCESS OF $1 MILLION, 1980 - 1985
(By year of termination, including pending cases)

Year	No. of Plans	Assets	Benefits	Reversion	Participants
			(millions of dollars)		
1980	9	58.5	40.1	18.4	22,242
1981	35	341.0	182.0	159.0	30,512
1982	83	1,145.0	737.5	407.5	124,321
1983	162	3,383.2	1,804.0	1,579.2	165,005
1984	330	7,634.5	4,121.3	3,513.2	386,380
1985	423	13,778.2	8,281.8	5,496.4	609,064
1986	1,042	26,340.4	15,166.7	11,173.7	1,337,524

Source: PBGC Case Processing System and case files
Note: Numbers of participants are not adjusted to include ongoing plan participants in spinoff-terminations.

II. 1985 TERMINATIONS BY TYPE OF SUCCESSOR PLAN
(Reversions in excess of $1 million)

	No. of Plans	Assets	Benefits	Reversion	Participants
		(millions of dollars)			
Spinoff-Termination	66	6,657.7	4,009.4	2,648.3	386,310
New defined benefit	147	4,358.0	2,537.5	1,820.5	265,560
Defined contribution	130	2,026.1	1,313.5	712.6	137,815
No successor plan	80	736.4	421.4	315.0	71,202
Totals	423	13,778.2	8,281.8	5,496.4	860,887
Successor DB (pct)	50.4%	80.0%	79.1%	81.3%	75.7%
Successor DC (pct)	30.7%	14.7%	15.9%	13.0%	16.0%
No successor (pct)	18.9%	5.3%	5.1%	5.7%	8.3%

Source: PBGC case files
Note: Participants involved in spin-off terminations include estimated number in ongoing portions of plans.

Question: When do you expect this Task Force to report its findings and recommendations?

Answer: The Task Force is expected to issue a final report and make recommendations to the ERISA Advisory Council on April 30, 1986.

Question: What actions are being taken in the interim to stem the tide of pension plan terminations?

Answer: The Administration continues to enforce the termination guidelines issued in May 1984. These guidelines are designed to fully protect all promised benefits to participants in terminated plans while at the same time retaining the voluntary nature of the private pension system. The guidelines are specifically designed not to discourage firms who require access to excess assets from reestablishing defined benefit plans.

The guidelines appear to be working: over 80 percent of reversion monies have gone back to firms that reestablish defined benefit plans with past service credit. This means that participants in these plans in all likelihood receive the exact benefits upon retirement that they would have if no termination had taken place.

It should also be recognized that the termination-for-reversion phenomenon in recent years is largely attributable to unusual market performance and historically high interest rates. While the market continues to be strong, falling interest rates are expected to reduce the amount of legal excess available in plans. As a result, the amount of reversion activity is not expected to continue at current levels.

INVESTMENT OF PENSION ASSETS

Question: You indicated that private pension plan assets now exceed one trillion dollars. What are you doing to insure that investment of these funds is managed in the best interest of pension plan participants and retirees?

Answer: Under the Employee Retirement Income Security Act of 1974 (ERISA), persons with discretionary authority and control over the assets of an employee benefit plan, or who render investment advice for a fee (direct or indirect), are "fiduciaries" subject to the stringent fiduciary provisions of the Act. The fiduciary provisions of the ERISA are intended to ensure that plan assets are invested and managed in the interest of plan participants, including retirees. The PWBA's activities directed toward ensuring compliance with the fiduciary provisions essentially are two-fold.

First, in an effort to promote and facilitate compliance with the fiduciary and other provisions of ERISA, the Department is making a concerted effort to maintain a credible regulatory and interpretative program under which necessary guidance is provided to plan sponsors, fiduciaries and others concerning the application of the often complex and technical requirements of ERISA. Similarly, PWBA through its individual and class exemption programs has attempted to remove unnecessary and artificial constraints on plan investment, thereby, enhancing the investment opportunities for plans.

Second, as part of our enforcement program, PWBA, through the use of computer targeting and on-site investigations, attempts to monitor, among other things, investment and asset management activities of plans in an effort to determine whether such activities are consistent with the provisions of ERISA. In view of the Department's limited investigative resources in relation to the pension plan universe, consisting of about 900,000 plans, the Department's ability to effectively and efficiently monitor plan activities is dependent to a large extent on the Department's timely access to plan information contained in the annual return/reports (Form 5500 series) filed with the government. In this regard, the Department is committed to enhancing its current information system and data base through the implementation of an improved data base that will provide the Department immediate access to that information necessary to carry out its administrative and enforcement responsibilities under ERISA. After a violation has been identified, the Department considers the amount of assets that can be returned to the plan and its participants, and the importance of the issues under investigation to other plans whose assets may be similarly compromised in determining what enforcement action is appropriate.

IMPROVING PENSION LAWS

Question: The Employee Retirement Income Security Act (ERISA) has been on the books for about a decade. Can you give us your assessment of how it's working?

Answer: For several years after ERISA was enacted in 1974, the Labor Department, together with other agencies involved in interpreting statutory language, worked to shape the statutory goals into practical reality. Much of the Labor Department's resources and energies were dedicated to activities which would help clarify the law, to give guidance to the affected communities, and to establish precedents for the future interpretation of the law. More recently, the Labor Department has turned to ways in which we can more effectively fulfill the Department's enforcement responsibilities under ERISA. We believe that our record over the last decade clearly supports the proposition that ERISA's goal of protecting the retirement income security of American workers is being fully implemented. The retirement expectations of millions of workers and the security of a trillion dollars in pension assets are now being protected from abuses for which there was little redress prior to ERISA.

Question: Are there ways to improve its performance?

Answer: Legislatively, we are fully committed to working for the enactment of the reforms embodied in the Administration's proposed amendments to Title IV of ERISA, together with a premium increase to help the Pension Benefit Guaranty Corporation with its funding problems.

Administratively, we believe that more effective mechanisms must be found and implemented to improve and update our ERISA data base. We must have adequate and accurate benefit plan information in order to make informed policy and regulatory decisions. We believe that our existing data base needs to be improved in this respect.

COLLECTIVE BARGAINING

Question: What is the outlook for work stoppages in the coming year?

Answer: Since the bargaining calendar is heavy in 1986, the opportunities for strike activity are relatively high. Major contracts are expiring this year in several key sectors, including steel, telephone, aluminum, longshoring, and aerospace. Moreover, bargaining is continuing for much of the railroad work force. If recent experience is any guide, however, the crowded bargaining calendar will not necessarily result in an outbreak of major strikes. In 1985, for example, the number of major strikes (those involving 1,000 workers or more) declined for the sixth consecutive year. There have been fewer than 100 such strikes in each of the past four years, as compared to an average of nearly 300 during both the 1960's and 1970's.

Questions: To what degree do you expect to become involved in labor-management negotiations, such as the steel workers strike and possible Eastern Air Lines strike?

Answer: This Administration has followed a policy of nonintervention in collective bargaining, as we believe that whenever possible government's role in the negotiation process should not extend beyond that of offering mediation assistance. We have a keen interest in the situations you have cited, and others as well, but we do not foresee any reason to depart from our established policy.

Questions Submitted by Senator Arlen Specter

PLAN TERMINATION

Question: There has been increasing concern that a growing number of employers are filing for reorganization to eviscerate or dilute their obligations under ERISA. What strategies is your office developing to address this situation?

Answer: For the past three years, the Administration has aggressively sought legislative reforms to those portions of ERISA that permit employers, through bankruptcy and reorganization, to avoid their financial responsibility for pensions promised their workers.

The particular changes required to ERISA fall primarily under Title IV of the Act which is administered by the Pension Benefit Guaranty Corporation (PBGC). By statute, the Secretary of Labor is the Chairman of the Board of the PBGC.

The Pension and Welfare Benefit Administration has actively assisted the PBGC in developing and promoting the legislative changes required to limit an employer's ability to use reorganization proceedings to rid the firm of substantial pension liabilities that would then have to be funded at the expense of PBGC's termination insurance program.

The Deficit Reduction Amendments Act of 1985, currently pending before Congress, includes many of the Administration's proposals for closing the loopholes in ERISA's provisions for terminating pension plans. Among other things, the provisions in the Deficit Reduction Amendments would require that any employer remaining in business after a reorganization proceeding would have to pay PBGC a percentage of future profits in order to finance the amount of unfunded pension liabilities PBGC accepted when the employer terminated its pension plan(s).

Question: In light of the Secretary's recent upgrading of your office, are there any ways you can suggest that Congressional action could bolster your efforts to maintain the integrity of ERISA?

Answer: The recent upgrading of the ERISA enforcement program in the Department of Labor and the elevation of my position to the Assistant Secretary level reflect the commitment of Secretary Brock to improving retirement income programs, rationalizing and making more efficient their operations, and ensuring adequate retirement income for our retirees. Congress can bolster our efforts by providing the resources we request in the 1987 Budget. I appreciate the understanding and support of our friends in Congress as we approach this difficult undertaking.

Questions Submitted by Senator William Proxmire

OLMS INDICTMENT STATISTICS

Question: I would like to get some idea as to how effectively your Labor-Management Standards investigative dollars are being used. For example, we are told in your justifications that embezzlement investigations dropped from 405 in 1984 to 397 in 1985. But it seems to me a better statistical indicator might be the percentage of investigations that led to an indictment. Can you give us a rough idea, with details for the record, of your indictment percentages in 1984 and 1985?

Answer: Over the past several years, OLMS has invested

considerable resources and effort in implementing an effective criminal enforcement program. The steady upward trend of criminal case statistics in recent years reflects the success of this effort. While the number of embezzlement investigations has increased only slightly over the past several years, the number of indictments handed down has increased considerably - from 48 in FY 1980 to 123 in FY 1984 and 152 in FY 1985. OLMS expects the number of embezzlement investigations conducted to increase and our indictment record to continue to improve based on (1) an increase in the number of leads resulting from planned compliance assistance and liaison activities (2) an increase in the number of leads resulting from the delinquency program, (3) more referrals from the I-CAP program, (3) better targeting/case development programs, and (4) continuation of our investigator training program. The number of convictions rendered has also continued to rise significantly - from 47 in FY 1980 to 125 in FY 1984 and 132 in FY 1985.

ACCOUNTANT SANCTIONS

Question: Last year we discussed an Inspector General recommendation that the Pension and Welfare Benefits Administration improve the effectiveness of its limited resources by making better use of independent public accountants. More specifically we discussed the possibility of implementing sanctions against accountants who file inaccurate or otherwise misleading financial statements and management reports, following the lead of the Securities and Exchange Commission. Have you taken any steps to implement such sanctions in a way of improving your ERISA enforcement capabilities?

Answer: As you know, last year we discussed what PWBA was doing with respect to a proposal by the ERISA Enforcement Working Group that we improve the effectiveness of our resources by requiring that accountants notify PWBA of irregularities discovered during required audits of plan financial statements.

Clearly, if the working group's recommendations were to be adopted, sanctions would need to be developed to assure compliance. However, the legal and policy issues presented by the proposal are extremely complex and sensitive in that they contemplate the intervention of the government into a relationship between a professional and his or her client. We believe that any such intervention should only be effected after very careful consideration. At this point, we do not believe that there is an adequate record to support moving ahead to require accountants to report directly to the Department. In addition, we have been advised by counsel that there is a significant legal question regarding the Department's authority to impose such a requirement. We are, however, continuing to consider this question.

We believe, however, that steps can and should be taken to

better utilize information now available to us in carrying out our enforcement responsibilities. We are revising the Form 5500 to provide more information relative to the reasons that plans change accountants and the existence of material disputes between the client plan and its accountant, so as to be able to identify changes of accounting firms due to disputes over reporting of information. We have also undertaken a program to routinely examine plans which receive qualified, adverse or other opinions from their accountants.

REDWOOD CLAIMS

Question: I notice that last year you underestimated the number of health and welfare claims that would be made under the Redwoods program. You estimated 500 claims in 1985 and 1986. Actual claims in 1985 numbered 2,150 and your current 1986 estimate is 1,150. Why were your original estimates so wide of the mark and how did this increase in claims affect your 1985 operations?

Answer: Although benefits for most claimants under the Redwoods Employee Protection Program expired effective September 30, 1984, there continues to be a need for resources to administer health and welfare and pension claims for older workers.

Older workers is a term used to refer to those claimants that had reached age 60 on or before September 30, 1984 and are allowed, under the Act, continued benefits until they reach 65. Because of the drop in the number of claimants, it was estimated that there would be a considerable drop in the number of claims submitted. One reason this did not occur was because we failed to consider that even though the number of claimants dropped, the ones that remained on the program were older and tend to incur more serious and frequent medical problems. Another reason for the higher than estimated number of claims was due to an overlap from Fiscal Year 1984. The increased number of claims had little impact on the program. Support staff were reprogrammed on temporary basis to help with the increased number of claims.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will now stand in recess until Tuesday, March 4, 1986, when we will hear from the Secretary of Health and Human Services, Dr. Otis Bowen, on the fiscal year 1987 budget for the Department of Health and Human Services.

[Whereupon, at 11:10 a.m., Thursday, February 27, the subcommittee was recessed, to reconvene at 9:30 a.m., Tuesday, March 4.]

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